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*westburne international  
industries ltd.*

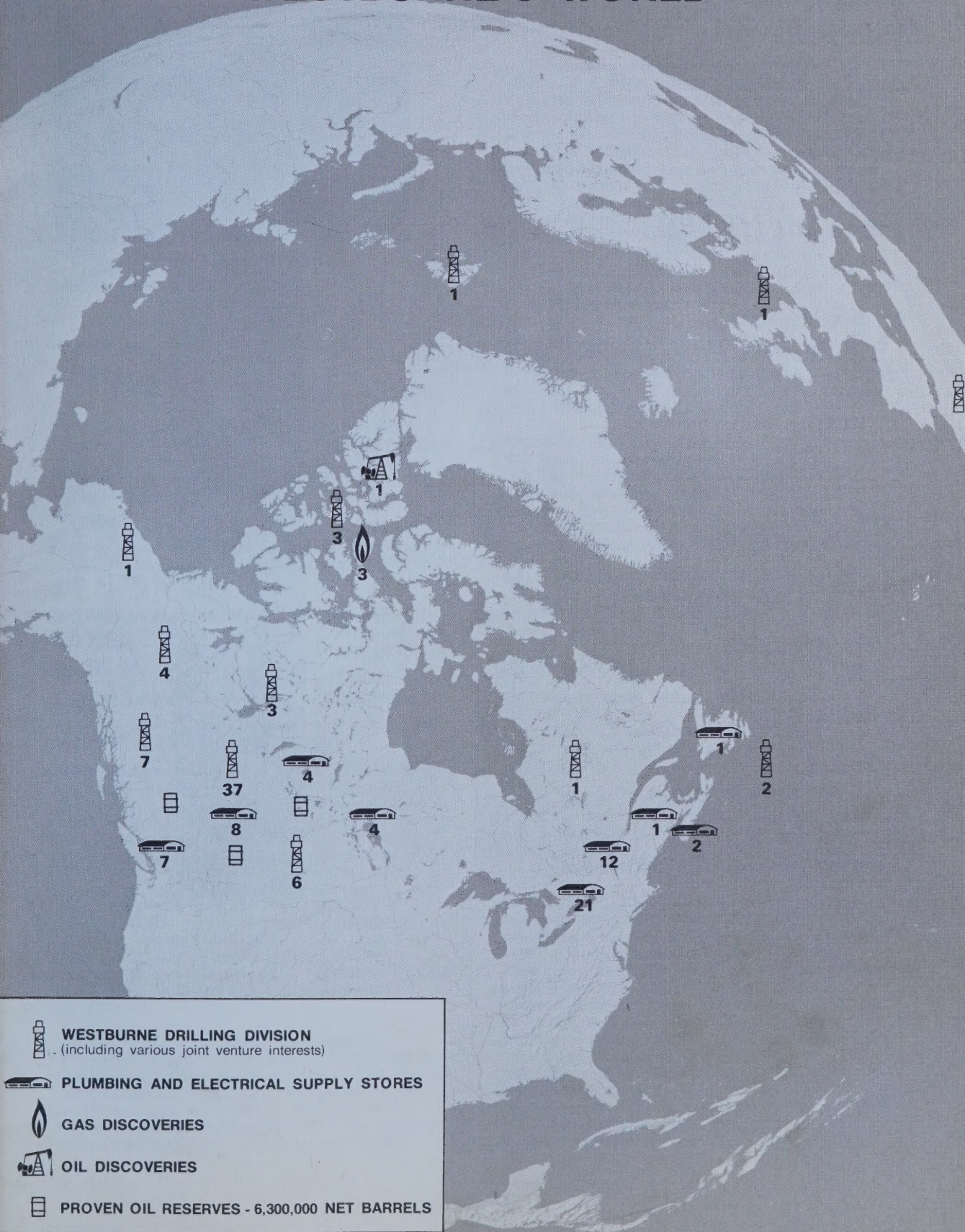
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*annual report 1972*





# WESTBURNE'S WORLD





# *westburne international industries ltd.*

AND SUBSIDIARY COMPANIES

## *Financial Highlights*

	<u>1972</u>	<u>1971</u>
For the Year Ended March 31 —		
Total Operating Revenue . . . . .	\$130,636,000	\$104,714,000
Net Earnings For The Year . . . . .	3,118,000	3,354,000
Net Earnings Applicable To Common Shares		
Before Extraordinary Items . . . . .	2,570,000	2,673,000
Per Common Share . . . . .	0.85	0.92
After Extraordinary Items . . . . .	2,605,000	2,846,000
Per Common Share . . . . .	0.86	0.98
Cash Flow . . . . .	4,943,000	5,183,000
Per Common Share . . . . .	1.64	1.79
As at March 31 —		
Fixed Assets — Net . . . . .	32,441,000	27,421,000
Total Assets . . . . .	90,466,000	71,229,000
Long Term Debt — less amount due within one year . . . . .	13,428,000	12,116,000
Shareholders' Equity		
Preferred . . . . .	6,927,000	7,030,000
Common . . . . .	24,932,000	21,066,000
Per Common Share . . . . .	8.27	7.28
Total Equity . . . . .	31,859,000	28,096,000
Number of common shares outstanding (net) . . . . .	3,015,693	2,893,303



*Westburne's Head Office, Calgary, Alberta*

## *To The Shareholders*

It is a tribute to the efforts of the entire Westburne organization that I am able to report record operating revenues for the year. Volume was \$130,636,000 in fiscal 1972, an increase of 25% over the \$104,714,000 of 1971.

Earnings from operations improved by 17% but reduced indirect earnings and extraordinary gains contributed to a decline in net earnings to \$3,118,000 from \$3,354,000.

Net earnings applicable to common shares before extraordinary items were 85 cents per share compared to 92 cents, and after extraordinary items were 86 cents per share compared to 98 cents.

Cash flow from operations totalled \$4,943,000.

### *Equipment and Supply Division*

During the year under review the Canadian building industry fully recovered from the 1970 recession. In this improved economic climate Westburne's plumbing, heating and electrical subsidiaries achieved all-time sales records. Housing starts for Canada, a prime economic indicator, rose from 191,000 units to 234,000 units, a gain of 22.5%. The sales volume of the equipment and supply division exceeded \$109,358,000 for fiscal 1972 compared with \$84,686,000 for the previous year. Gross sales of plumbing, heating and electrical products, which represent the bulk of the sales of that division, increased by approximately 32%. Operations earnings of the division totalled \$3,897,000, up by 40% from 1971.

During the year we continued our expansion programme in both the plumbing and heating and in electrical supply distribution and now operate from 60 branches across Canada. Three new plumbing and heating branches were opened—Sault Ste. Marie, Prince George and Dartmouth-Halifax. The latter two became operational late in the year and therefore

contributed only in a minor way to this year's sales volume. New, larger and more efficient warehouses were built in Prince George, Regina and Quebec City to replace older facilities. In the electrical industry, we acquired for cash two wholesale suppliers towards the end of 1971. Amesco (1967) Ltd. has its Head Office in Winnipeg and branches in Regina and Thompson and G.G. McKeough Ltd. is based in Windsor, Ontario. At the time this report was being prepared, another acquisition, that of Haldane Electric Supply Limited and its associated companies was being completed. Haldane is a large multi-branch Toronto based electrical wholesaler serving Ontario. Outlets are located in Toronto, Streetsville, Scarborough, Barrie, Kingston and Hamilton.

Financial results of Amesco (1967) Ltd. and G.G. McKeough Ltd. have been consolidated since December 1, 1971 (effective date of acquisition) and have only contributed modestly to the overall results of the division for the year under review.

Preparatory steps were taken to integrate operations so that plumbing and heating supply branches would carry electrical supplies and electrical supply branches would also handle plumbing and heating lines. When this programme is fully achieved it will enhance the Company's market penetration on a national scale and contribute substantially to sales volume and earnings.

Sales and earnings from the operations of our oilfield supply subsidiary which are allied with drilling activity, remained at a level close to that of the previous year.

### *Drilling Division*

Operating revenues of the contract drilling division were \$19,604,000, a 5% increase over the previous year. The Company fully maintained its position as the largest and most active Canadian contract drilling enterprise.

After a period of low activity in the first half of the year there was a notable increase in overall exploratory and development drilling during the last half of our fiscal year. Indications point to a continuation of this trend during 1972 and into 1973.

Experience in Arctic drilling over the past several years has demonstrated that highly sophisticated equipment is essential. Providing for the specialized needs of Arctic exploration requires substantially higher capital expenditures than is the case with conventional rigs. Westburne has not hesitated to commit the capital necessary to obtain full advantage from the opportunities offered in this expanding exploration area. As a 50% partner in a joint venture, we are conducting contract drilling operations with three rigs in the Arctic Islands for Panarctic Oils Ltd. Two additional rigs are being assembled for new contracts in the Arctic. In addition, rigs in the Yukon, Northwest Territories and on the North slope of Alaska are operated by Westburne. The division has



undertaken continuing engineering studies for a group of major oil companies to devise technical procedures and equipment for drilling in the Arctic Ocean.

Offshore drilling reached a record level in 1972. Westburne has a 5% interest in two semi submersible drilling vessels operating off the East coast of Canada and in a third which is in the North Sea. Construction of a fourth such unit is presently nearing completion in Halifax. An offshore jack-up rig located in Ghana, Africa was acquired in the latter part of the year.

Our foreign operations continue and are expanding in Algeria and Indonesia and in the coming year will commence in the Norwegian Arctic. Opportunities are also being explored for participation in contract drilling in other countries. The three rig operation in Australia was sold for cash due to the unfavourable outlook for land drilling in that country.

### *Exploration and Production Division*

Production during the year amounted to 431,000 net barrels of oil and 1.26 billion cubic feet of natural gas compared with 354,000 net barrels of oil and 1.30 billion cubic feet of natural gas in the previous year. Revenue from the sale of oil and gas (after royalties) and water pipeline sales was \$1,674,000 an increase of 18% over 1971. Net crude oil production averaged 1,232 net barrels per day in March, 1972, an increase of 23% over the same month last year.

Westburne and its partners completed 31 oilwells in various fields in Western Canada and presently have plans to drill a further nine development wells. No dry holes were drilled.

As at January 1, 1972 McDaniel Consultants (1965) Ltd., independent reservoir engineers, estimated the Company's proven oil reserves at 6,300,000 net barrels and probable oil reserves of 5,647,000 net barrels. These reserves are contained in 13 fields in Saskatchewan, Alberta and British Columbia in 2,405 gross wells, or 106 net wells.

Through its 2.26% interest in Panarctic Oils Ltd. the Company participated in the discovery of crude oil in an exploratory well on Ellesmere Island and large gas reserves in three wells on other of the Arctic Islands.

The Company has a participation in six production licences awarded by the United Kingdom Government. This participation consists of 5% interest in two blocks in the North Sea, one block in the West Shetland Islands area and two blocks in the Celtic Sea and a 2.5% interest in one block in the North Sea. The prolific production capabilities of recent discoveries in the North Sea have proven this to be one of the most attractive areas for exploratory drilling in the world today.

The Baker Lake Uranium prospect in the Northwest Territories, in which the Company has a 40% working interest, was further evaluated this past

summer by additional field work. Since the permit covering this prospect was in the final year of its three year term, the maximum allowable of 450 claims were staked within the permit area.

### *Outlook*

The discovery of crude oil on Ellesmere Island, the further discoveries of natural gas on the other Arctic Islands and the development of very rich natural gas and oil reserves in the Mackenzie River Delta have combined to focus continental attention on the Canadian North. These developments have come most fortuitously at a time when concern is growing over the adequacy of North American energy reserves. An example of that concern is the planned expenditure over the next five years of more than \$200,000,000 in exploration on Panarctic lands alone.

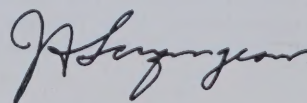
With its share interest in Panarctic Oils Ltd. and its interest in the North Sea permits, together with its participation in contract drilling ventures in both areas, Westburne is well placed to obtain the maximum possible advantage from the intensified exploratory activities that will extend into the future.

In Alberta, recently announced changes in oil production regulations are expected to provide a positive incentive for expanding exploration drilling. It is anticipated that a continuation of exploratory drilling in Canada at a high level should lead to additional development drilling. This domestic work, along with the growing activity of our foreign subsidiary, indicate a successful year for this division in fiscal 1973.

The Canadian economy is now apparently set on an expansionary course which should provide increasingly profitable opportunities for our equipment and supply division and the newly acquired electrical wholesale enterprises.

In summary—each of our operating divisions looks to the future with confidence.

ON BEHALF OF THE BOARD OF DIRECTORS



JOHN A. SCRYMGEOUR  
President and Chairman of the Board

June 2, 1972

*westburne international industries ltd.*

AND SUBSIDIARY COMPANIES

*Summarized Earnings of Operating Divisions (1)*

*(Thousands of Dollars)*

	Year Ended March 31, 1972				Year Ended March 31, 1971			
	Operating Revenues	Administrative & General Expenses	Depreciation & Depletion	Earnings from Operations	Operating Revenues	Administrative & General Expenses	Depreciation & Depletion	Earnings from Operations
Equipment and Supplies .	\$109,358	\$13,955	\$ 496	\$ 3,897	\$ 84,686	\$10,736	\$ 453	\$ 2,781
Contract Drilling . . .	19,604	1,723	1,033	2,129	18,608	1,624	942	2,534
Oil and Mineral Exploration and Production . . .	1,674	48	569	342	\$ 1,420	\$ 62	\$ 553	\$ 276
	<u>\$130,636</u>	<u>\$15,726</u>	<u>\$ 2,098</u>	<u>\$ 6,368</u>	<u>\$104,714</u>	<u>\$12,422</u>	<u>\$ 1,948</u>	<u>\$ 5,591</u>
Add (Deduct)								
General administrative expenses . . . .			(445)				\$ (517)	
Interest expense . . .			(1,881)				(1936)	
Interest and other investment income .			815				920	
Gain on sale of fixed assets . .			2				265	
Extraordinary gains less losses . . . .			35				173	
Income taxes . . . .			(1,536)	(3,010)			(909)	(2,004)
Earnings before minority interest . . .				<u>\$ 3,358</u>				<u>\$ 3,587</u>

NOTE — (1) Figures are presented by type of business activity rather than corporate entity.



# Consolidated Balance Sheet as at March 31, 1972

(Thousands of Dollars)

## ASSETS

	1972	1971
<b>CURRENT ASSETS:</b>		
Cash and short term deposits . . . . .	\$ 1,269	\$ 998
Accounts receivable . . . . .	26,310	20,658
Inventories, at lower of cost or net realizable value . . . . .	22,547	16,124
Prepaid expenses . . . . .	414	361
<b>TOTAL CURRENT ASSETS . . . . .</b>	<b>50,540</b>	<b>38,141</b>
<b>INVESTMENTS AND ADVANCES, at cost (Note 2)</b>		
Shares and advances		
Panarctic Oils Ltd. . . . .	1,316	936
Other . . . . .	965	743
Notes and mortgages receivable . . . . .	344	302
Notes receivable — directors and employees . . . . .	1,895	1,895
	<u>4,520</u>	<u>3,876</u>
<b>FIXED ASSETS, at cost (Note 3) . . . . .</b>	<b>50,150</b>	<b>43,954</b>
Less accumulated depreciation and depletion . . . . .	17,709	16,533
	<u>32,441</u>	<u>27,421</u>
<b>FINANCIAL EXPENSES, less amounts amortized . . . . .</b>	<b>186</b>	<b>200</b>
<b>EXCESS OF COST OF INVESTMENTS IN SHARES OF SUBSIDIARIES OVER NET ASSETS AT DATE OF ACQUISITION (Note 4) . . . . .</b>	<b>2,779</b>	<b>1,591</b>
<b>TOTAL ASSETS . . . . .</b>	<b>\$ 90,466</b>	<b>\$ 71,229</b>

SIGNED ON BEHALF OF THE BOARD:

J. A. SCRYMGEOUR,  
Director.

LUCIEN CORNEZ,  
Director.



## *LIABILITIES*

	<u>1972</u>	<u>1971</u>
<b>CURRENT LIABILITIES:</b>		
Bank loans, secured (Note 5) . . . . .	\$ 15,925	\$ 9,035
Accounts payable . . . . .	19,231	13,418
Income taxes payable (Note 7) . . . . .	1,191	(87)
Dividend payable . . . . .	75	76
Long-term debt due within one year . . . . .	2,520	2,332
<b>TOTAL CURRENT LIABILITIES . . . . .</b>	<u>38,942</u>	<u>24,774</u>
<b>LONG TERM DEBT LESS AMOUNT DUE WITHIN ONE YEAR (Notes 5 and 6) . . . . .</b>	13,428	12,116
<b>DEFERRED INCOME TAXES (Note 7) . . . . .</b>	2,875	2,763
<b>MINORITY INTEREST (Note 8) . . . . .</b>	3,362	3,480
<b>TOTAL LIABILITIES . . . . .</b>	<u>58,607</u>	<u>43,133</u>

## *SHAREHOLDERS' EQUITY*

<b>CAPITAL STOCK (Note 9)</b>		
Preferred . . . . .	6,927	7,030
Common . . . . .	3,016	2,893
<b>CONTRIBUTED SURPLUS (Note 10) . . . . .</b>	1,776	678
<b>RETAINED EARNINGS (Note 11) . . . . .</b>	20,140	17,495
<b>TOTAL SHAREHOLDERS' EQUITY . . . . .</b>	<u>31,859</u>	<u>28,096</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY . . . . .</b>	<u>\$ 90,466</u>	<u>\$ 71,229</u>

### *Auditors' Report*

The Shareholders  
Westburne International Industries Ltd.

We have examined the consolidated balance sheet of Westburne International Industries Ltd. and its subsidiaries as at March 31, 1972 and the consolidated statements of earnings, retained earnings and source and application of funds for the year then ended. For Westburne International Industries Ltd. and those subsidiaries of which we are the auditors, our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances. With respect to those subsidiaries of which we are not the auditors we have carried out such enquiries and examinations as we considered necessary in order to accept for purposes of consolidation the reports of the other auditors.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at March 31, 1972 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

May 26, 1972  
Calgary, Alberta

Touche Ross & Co.  
Chartered Accountants.



# Consolidated Statement of Earnings for the year ended March 31, 1972

(Thousands of Dollars)

	1972	1971
OPERATING REVENUES:		
Sales of merchandise . . . . .	\$109,358	\$ 84,686
Contract drilling . . . . .	19,604	18,608
Oil and gas production . . . . .	1,674	1,420
	<u>130,636</u>	<u>104,714</u>
COST AND EXPENSES:		
Cost of sales — merchandise . . . . .	91,010	70,669
Contract drilling . . . . .	14,720	13,510
Oil and gas production . . . . .	714	573
Depreciation and depletion (Note 3) . . . . .	2,139	1,967
Selling, general and administrative . . . . .	16,130	12,921
	<u>124,713</u>	<u>99,640</u>
EARNINGS FROM OPERATIONS . . . . .	<u>5,923</u>	<u>5,074</u>
OTHER EXPENSES (REVENUES)		
Interest — long term debt . . . . .	1,174	1,139
Other interest . . . . .	707	797
Interest and other investment income . . . . .	(815)	(920)
Gain on sale of fixed assets . . . . .	(2)	(265)
	<u>1,064</u>	<u>751</u>
EARNINGS BEFORE INCOME TAXES AND EXTRAORDINARY ITEMS . . . . .	<u>4,859</u>	<u>4,323</u>
INCOME TAXES (Note 7)		
Current . . . . .	1,425	607
Deferred . . . . .	111	302
	<u>1,536</u>	<u>909</u>
EARNINGS BEFORE EXTRAORDINARY ITEMS . . . . .	<u>3,323</u>	<u>3,414</u>
EXTRAORDINARY ITEMS		
Loss on sale of investments . . . . .	(6)	—
Gain on foreign exchange . . . . .	41	173
	<u>35</u>	<u>173</u>
EARNINGS BEFORE MINORITY INTEREST . . . . .	<u>3,358</u>	<u>3,587</u>
Minority Interest . . . . .	240	233
NET EARNINGS FOR THE YEAR . . . . .	<u>\$ 3,118</u>	<u>\$ 3,354</u>

Earnings per common share after dividends on preferred shares — (Note 16)



*Consolidated Statement of Retained Earnings  
for the year ended March 31, 1972**(Thousands of Dollars)*

	<u>1972</u>	<u>1971</u>
BALANCE AT BEGINNING OF YEAR . . . . .	\$ 17,495	\$ 18,444
ADD		
Net earnings for the year . . . . .	3,118	3,354
Reduction of minority interest arising from increase in the ownership of United Westburne Industries Limited to 95.48% . . . .	40	643
Earnings from discontinued operations (Note 1 (c)) . . . . .	—	720
	<u>20,653</u>	<u>23,161</u>
DEDUCT		
Dividends on preferred shares		
Series A . . . . .	404	391
1970 Series . . . . .	84	92
1969 Series . . . . .	25	25
Increase in minority interest on issue of preferred shares to minority shareholders of subsidiary companies . . . . .	—	1
Financial expenses (net of applicable income taxes of \$236,300) . . . . .	—	236
Reduction in respect of severance of Trimac Transportation Limited (Note 1 (c) ) . . . . .	—	4,478
Pooling of interest adjustment related to severance of Trimac Transportation Limited . . . . .	—	443
BALANCE AT END OF YEAR . . . . .	<u>\$ 20,140</u>	<u>\$ 17,495</u>



## *Consolidated Statement of Source and Application of Funds* *For the year ended March 31, 1972*

(Thousands of Dollars)

	1972	1971
WORKING CAPITAL — OPENING BALANCE . . . . .	\$ 13,367	\$ 11,083
 SOURCE OF FUNDS		
Net earnings . . . . .	3,118	3,354
Depreciation and depletion . . . . .	2,139	1,967
Deferred income tax . . . . .	111	302
Other . . . . .	88	68
Cash flow from operations . . . . .	5,456	5,691
Increase in long term debt . . . . .	4,201	5,264
Net book value of fixed assets sold . . . . .	1,884	502
Collection of notes and mortgages (net) . . . . .	82	356
Deferred income tax of subsidiary acquired . . . . .	—	145
Issue of capital stock		
Common shares . . . . .	110	125
Preferred shares Series A . . . . .	—	135
Preferred shares 1970 Series . . . . .	—	280
Less notes accepted as consideration for issue of 1970 Series . . . . .	—	(280)
Allocated to Contributed Surplus . . . . .	990	211
Sundry . . . . .	24	5
Adjustment in respect of severance of Trimac Transportation Limited . . . . .	—	338
Total . . . . .	12,747	12,772
 APPLICATION OF FUNDS		
Capital expenditures . . . . .	9,008	5,495
Purchase of investments . . . . .	726	257
Repayment of long term debt . . . . .	2,889	2,520
Dividends on preferred shares . . . . .	513	508
Financial and organization expense . . . . .	—	117
Excess cost of investment in shares of subsidiaries acquired over net book value of assets . . . . .	1,188	65
Reduction of minority interest by payment off of preferred shares and acquisition of additional common shares of a subsidiary . . . . .	192	1,066
Redemption of preferred shares 1970 Series . . . . .	—	460
Total . . . . .	14,516	10,488
INCREASE (DECREASE) OF WORKING CAPITAL . . . . .	(1,769)	2,284
WORKING CAPITAL — CLOSING BALANCE . . . . .	\$ 11,598	\$ 13,367

*Notes to Consolidated Financial Statements March 31, 1972***1. PRINCIPLES OF CONSOLIDATION AND ACCOUNTING POLICY**

- (a) The consolidated financial statements include the accounts of Westburne International Industries Ltd. and all subsidiary companies (collectively called for the purposes of these notes "the Company"). 618,980 Common Shares of Westburne International Industries Ltd. owned by a subsidiary and carried at a cost of \$2,274,000 are eliminated on consolidation.
- (b) Assets and liabilities and income and expenses of the Company which are in currencies other than Canadian dollars are converted into Canadian funds on the following basis:
- (i) Current assets and current liabilities at exchange rates in effect at the end of the period;
  - (ii) All non-current assets and liabilities at the rates prevailing when acquired or incurred; and
  - (iii) Income and expenses, except depreciation and depletion, at the average rate for the period.
- (c) Effective December 31, 1970, Trimac Transportation Limited ("Trimac") was resold to the former owners of that company by delivering to them all of the issued and outstanding shares of Trimac in exchange for 1,048,000 Common Shares of the Company surrendered for cancellation and a cash payment of \$200,000.

The 1971 adjustment of retained earnings in respect of the severance of Trimac from the Company is summarized as follows:

Retained earnings of Trimac contributed to the company on consolidation	
on a pooling of interest basis at April 1, 1969 . . . . .	\$ 3,232,000
Net earnings of Trimac	
— for the year ended March 31, 1970 — audited . . . . .	526,000
— for the nine months ended December 31, 1970 — unaudited . . . . .	720,000
	<u>\$ 4,478,000</u>

**2. INVESTMENTS AND ADVANCES**

- (a) Panarctic Oils Ltd.

The Company at March 31, 1972 had acquired 171,662 preferred shares of a par value of \$10 each and 28,235 common shares of Panarctic in consideration of commitments to expend \$1,719,000 on exploration and drilling operations being carried out on lands controlled by Panarctic in the Arctic Islands. To March 31, 1972 the sum of \$1,316,000 had been contributed. The balance of \$403,000 committed will be contributed at various dates up to March 1973.

- (b) Notes Receivable — Directors and Employees

The Company holds notes of directors and employees, including officers, arising from subscriptions for preferred shares of the Company; \$495,000 of the notes bear interest at 5% and are due on or before December 31, 1979, \$1,400,000 bear interest at 6% and are due on or before December 31, 1980.

**3. FIXED ASSETS, DEPRECIATION AND DEPLETION**

	1972		1971	
	Cost	Net book value	Cost	Net book value
Land . . . . .	\$ 1,585,000	\$ 1,585,000	\$ 1,560,000	\$ 1,560,000
Buildings . . . . .	8,158,000	6,123,000	6,712,000	4,914,000
Drilling rigs . . . . .	19,619,000	12,540,000	16,168,000	9,364,000
Drill string . . . . .	4,111,000	2,279,000	4,041,000	2,091,000
Oil production equipment . . . . .	3,483,000	2,584,000	3,192,000	2,418,000
Other equipment . . . . .	5,889,000	2,642,000	4,738,000	1,953,000
Oil and mineral leases and development expenditures . . . . .	7,305,000	4,688,000	7,543,000	5,121,000
	<u>\$50,150,000</u>	<u>\$32,441,000</u>	<u>\$43,954,000</u>	<u>\$27,421,000</u>



It is the policy of the Company to depreciate the cost of plant and equipment to its estimated residual value over the estimated useful lives of the assets as follows:

- Buildings — at rates of 5% to 10% mainly on a diminishing balance basis
- Drilling rigs — at a rate per drilling day designed to prorate original cost less a residual value of 30% over 3,000 drilling days (approximately 20 years)
- Drilling string — straight-line basis related to drilling activity
- Oil production equipment, oil and mineral leases and development expenditures — unit of production based on full cost method and estimated recoverable reserves
- Other equipment — mainly 20% to 30% diminishing balance basis

#### 4. EXCESS OF COST OF INVESTMENTS IN SHARES OF SUBSIDIARIES OVER NET ASSETS AT DATE OF ACQUISITION

The unamortized excess of cost of investment in shares of subsidiaries over net assets at date of acquisition arises from the accounting by subsidiaries for acquisitions of their subsidiaries on a "purchase basis". This excess has been allocated as follows:

Fixed Assets . . . . .	\$ 442,000
Intangibles . . . . .	2,779,000
	<u>\$ 3,221,000</u>

Management is of the opinion that the amount of \$2,779,000 attributed to intangible assets is of continuing value and accordingly does not contemplate any amortization of this asset.

#### 5. ASSETS PLEDGED

The Company has pledged all accounts receivable, certain investments, certain of its oil and gas producing properties and has granted debentures secured by floating charges on certain assets, as security for bank loans.

The Company has also granted a floating charge on certain assets as security for outstanding Sinking Fund Debentures amounting to \$5,248,000 and has granted mortgages secured by certain real property and improvements. (See Note 15.)

#### 6. LONG TERM DEBT

	<u>1972</u>	<u>1971</u>
(a) Sinking Fund Debentures		
Series A — 7% maturing March 15, 1987 (1) . . . . .	\$ 3,958,000	\$ 4,050,000
Series B — 7½% maturing August 1, 1982 . . . . .	440,000	480,000
Series C — 8½% maturing March 31, 1989 . . . . .	850,000	900,000
	<u>\$ 5,248,000</u>	<u>\$ 5,430,000</u>
(1) After deducting \$92,000 (1971 \$225,000) purchased and held in safekeeping for future sinking fund requirements.		
The Company has covenanted to provide a sinking fund related to the above debentures aggregating \$315,000 by March 31, 1973, \$340,000 in fiscal 1974 and \$365,000 annually thereafter. The debentures are redeemable prior to maturity for other than sinking fund purposes at maximum premiums ranging from 5.12% to 7.05%, such premiums to decrease by .375% to .50% yearly until the various redemption prices equal the par values.		
(b) Bank loans, including current portion . . . . .	<u>7,801,000</u>	<u>7,343,000</u>
The above includes special loans and oil and gas production loans. The loans carry interest rates ranging from 6¾% to 10% at March 31, 1972.		
(c) Mortgages, conditional sales contracts, etc. . . . .	<u>2,899,000</u>	<u>1,675,000</u>
The above carry interest rates ranging from 6½% to 10¾% at March 31, 1972.		
Total long term debt . . . . .	15,948,000	14,448,000
Less amount due with one year . . . . .	2,520,000	2,332,000
	<u>\$13,428,000</u>	<u>\$12,116,000</u>

## 7. INCOME TAXES

### (a) Deferred income taxes

Under provisions of the Canadian Income Tax Act, the Company is entitled to claim and has claimed capital cost allowance and intangible exploration and development expenses which exceed the amounts recorded in the accounts. In this connection current accounting practice recommends the recording of corporate income taxes on the tax allocation basis for timing differences between accounting income and taxable income. The Company has adopted this policy in respect of timing differences relating to tangible assets and has recorded in the accounts deferred income tax credits of \$2,875,000.

The Company is of the opinion that the tax allocation basis for timing differences relating to intangible exploration and development expenses is not appropriate for the subsidiaries in the oil industry and this opinion is shared by others in the industry. Had the Company used the tax allocation basis for intangible exploration and development expenses, additional deferred income taxes aggregating \$1,910,000 would have been recorded on the books to March 31, 1972 (\$1,648,000 at March 31, 1971) an increase of \$262,000 during the year (\$198,000 for 1971).

### (b) Oil and Gas Exploration Deductions

Under provisions of the Canadian Income Tax Act companies whose principal business is related to oil and gas activities are entitled to deduct in computing taxable income expenditures incurred in oil or gas exploration and development. These expenditures must be deducted in the year incurred to the extent that there is income against which they may be offset but any excess can be carried forward indefinitely to be similarly applied against income in each successive year until the expenditures have been fully applied.

The Company acquired subsidiaries which had incurred such expenditures. In computing taxable income these subsidiaries deducted expenditures incurred in prior years. The Department of National Revenue - Taxation Division, has questioned the deductibility of these particular amounts by such subsidiaries indicating that in its opinion the rights of such subsidiaries to these deductions were no longer vested in the subsidiaries because of certain agreements entered into by them prior to their acquisition by the Company. The Company, having obtained the advice of counsel, is of the opinion that these subsidiaries are still entitled to the deductions. The Department of National Revenue - Taxation Division has issued assessments and the Company has entered appeals against them. The amounts of such assessments aggregate \$320,000 with respect to the year ended March 31, 1969. In addition, income tax of approximately \$233,000, \$209,000 and \$82,000 could become payable with respect to the years ended March 31, 1970, 1971 and 1972 respectively.

The Company has provided, out of earnings of 1969 and 1970, an income tax reserve of approximately \$340,000 which is available in the event the Company's appeals and if necessary court actions, are not successful. The application of the general principle embodied in the Canadian Income Tax Act which permits the deduction of expenditures incurred in oil, gas and mineral exploration and development is not being disputed. As a result, no question arises as to the deductibility of expenditures presently being incurred in exploration of oil, gas and minerals.

- (c) The Department of National Revenue - Taxation Division, has disputed the Company's right to claim certain financing expenses in calculating taxable income and has issued a re-assessment in respect of the fiscal year ended March 31, 1970. On the advice of counsel the Company has filed a Notice of Objection to the re-assessment. Should the Company be unsuccessful, income tax of approximately \$48,000 and \$27,000 would become payable for the years ended March 31, 1971 and 1972 respectively.

## 8. MINORITY INTEREST

	<u>1972</u>	<u>1971</u>
Preferred shares . . . . .	\$ 2,635,000	\$ 2,723,000
Common shares and contributed surplus . . . . .	225,000	256,000
Retained earnings . . . . .	502,000	501,000
	<u>\$ 3,362,000</u>	<u>\$ 3,480,000</u>



## 9. CAPITAL

### (a) Capital Stock

	Authorized		Issued	
	Shares	Amount	Shares	Amount
Preferred Shares of the par value of \$25 each, issuable in series . . . . .	680,000	\$17,000,000		
8% Cumulative Redeemable Convertible Preferred Shares, Series A, Issued as at March 31, 1971 . . . . .			205,400	\$ 5,135,000
Converted into Common Shares . . . . .			4,130	103,250
			<u>201,270</u>	<u>\$ 5,031,750</u>
Subordinated Preferred Shares of the par value of \$10 each, issuable in series . . . . .	300,000	3,000,000		
5% Subordinated Cumulative Redeemable Convertible Preferred Shares 1969 Series . . . . .			49,500	495,000
6% Subordinated Cumulative Redeemable Convertible Preferred Shares 1970 Series . . . . .			140,000	1,400,000
Preferred Shares . . . . .				<u>\$ 6,926,750</u>
Common Shares of the par value of \$1 each . . . . .	8,952,000	8,952,000		
Issued as at March 31, 1971 . . . . .			2,893,303	\$ 2,893,303
Issued by subsidiary (1) . . . . .			(1) 110,000	110,000
Issued on conversion of preferred shares . . . . .			12,390	12,390
Common Shares . . . . .			(2) <u>3,015,693</u>	<u>\$ 3,015,693</u>

(1) The subsidiary owning 728,980 shares at March 31, 1971 disposed of 110,000 shares as part consideration for the acquisition of shares of another company.

(2) Exclusive of 618,980 shares still owned by a subsidiary.

### (b) Common Shares Reserved

- (i) 148,744 Common Shares are reserved for issue upon the exercise of 148,744 Share Purchase Warrants, Series A until March 15, 1977 for a cash consideration of \$6 per share;
- (ii) 198,000 Common Shares are reserved for issue upon conversion of 49,500 5% Subordinated Cumulative Redeemable Convertible Preferred Shares 1969 Series between January 1, 1973 and December 31, 1979;
- (iii) 140,000 Common Shares are reserved for issue upon the conversion of 140,000 of 6% Subordinated Cumulative Redeemable Convertible Preferred Shares 1970 Series between January 1, 1975 and December 31, 1980;
- (iv) 603,810 Common Shares are reserved for issue upon the conversion of 201,270 8% Cumulative Redeemable Convertible Preferred Shares, Series A, up to March 1, 1977;
- (v) 15,000 Common Shares are reserved for issue upon the exercise of 15,000 Series B Share Purchase Warrants, until April 1, 1979 for a cash consideration of \$14 per share, subject to adjustment in certain events;
- (vi) 15,000 Common Shares are reserved for issue upon the exercise of 15,000 Series C Share Purchase Warrants until February 28, 1981 for a cash consideration of \$8½ per share, subject to adjustment in certain events.

## 10. CONTRIBUTED SURPLUS

	1972	1971
Opening balance . . . . .	\$ 678,000	\$ 23,000
Pooling of interest adjustment . . . . .	—	443,000
Portion of issue price of Common Shares allocated . . . . .	1,081,000	187,000
Gain on purchase for cancellation of preferred shares . . . . .	17,000	25,000
	<u>\$ 1,776,000</u>	<u>\$ 678,000</u>

## 11. RETAINED EARNINGS

- (a) Under the provisions of the governing statutes, \$1,797,000 (the amount equal to the par value of preferred shares redeemed) is restricted from distribution to shareholders.
- (b) An agreement with certain preferred shareholders requires that a purchase redemption fund be established. \$61,000 is restricted for this purpose.
- (c) The trust deeds under which the Series "A", "B" and "C" debentures were issued provide certain restrictions on the payment of dividends.

## 12. FOREIGN CURRENCY RESTRICTIONS

Net current assets of \$343,000 are subject to foreign currency restrictions.

## 13. COMMITMENTS

- (a) A subsidiary has given a letter of commitment to guarantee 5% of the cost of two new offshore drilling rigs acquired at an estimated cost of \$24,000,000 by Southeastern Commonwealth Drilling Ltd., a company in which it has a 5% share interest.
- (b) The Company has entered into lease agreements for premises at annual rentals approximating \$540,000 as at March 31, 1972 and for various terms expiring up to November 1980.
- (c) The Company has a commitment to Panarctic Oils Ltd. of \$403,000 as set forth in Note 2 (a).

## 14. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The Company and its subsidiaries paid all directors and senior officers, including directors who are officers, an aggregate of \$412,000 during the year ended March 31, 1972.

## 15. SUBSEQUENT EVENTS

Arrangements have been completed for loans of up to \$5,000,000 to be made available to one or more of the subsidiary companies to be secured by a charge on the real estate. The loans shall bear interest at 9% with reimbursement by means of blended monthly payments of capital and interest amortized on a 20 year basis with the balance due and payable in 5 years. As of May 8, 1972 \$2,100,000 of these loans had been received.

## 16. EARNINGS PER COMMON SHARE

	<u>1972</u>	<u>1971</u>
Basic earnings per Common Share		
Earnings before extraordinary items . . . . .	\$0.85	\$0.92
Extraordinary items . . . . .	<u>0.01</u>	<u>0.06</u>
Net earnings . . . . .	<u>\$0.86</u>	<u>\$0.98</u>
Fully diluted earnings per Common Share		
Earnings before extraordinary items . . . . .	\$0.75	\$0.79
Extraordinary items . . . . .	<u>0.01</u>	<u>0.04</u>
Net earnings . . . . .	<u>\$0.76</u>	<u>\$0.83</u>

Fully diluted earnings per Common Share give effect to the exercise of warrants and options outstanding, and the conversion of Preferred Shares.

When calculated in accordance with Opinion 15 of the Accounting Principles Board of the American Institute of Certified Public Accountants, earnings per Common Share are as follows:

	<u>1972</u>	<u>1971</u>
Primary earnings per Common Share		
Earnings before extraordinary items . . . . .	\$0.83	\$0.91
Extraordinary items . . . . .	<u>0.01</u>	<u>0.06</u>
Net earnings . . . . .	<u>\$0.84</u>	<u>\$0.97</u>
Fully diluted earnings per Common Share		
Earnings before extraordinary items . . . . .	\$0.75	\$0.80
Extraordinary items . . . . .	<u>0.01</u>	<u>0.05</u>
Net earnings . . . . .	<u>\$0.76</u>	<u>\$0.85</u>



## DIRECTORS

T. H. ATKINSON, M.C.,  
*Retired Bank Executive,  
Mount Bruno, Quebec*

W. M. BOOTH,  
*President of Consolidated Oil & Gas, Inc.  
Denver, Colorado.*

JOHN H. COLEMAN,  
*Deputy Chairman and Executive Vice-President,  
The Royal Bank of Canada,  
Toronto, Ontario.*

\*LUCIEN CORNEZ,  
*President of United Westburne Industries Limited,  
Montreal, Quebec.*

\*F. R. MATTHEWS, Q.C.,  
*Partner of MacKimmie Matthews,  
Calgary, Alberta.*

ABRAHAM PALMER,  
*President, Palmers Plumbing Supply Limited,  
Ottawa, Ontario*

JOSEPH RIMERMAN,  
*President, Craig Plumbing & Heating Supplies Co. Ltd.,  
Montreal, Quebec.*

MAURICE SAILLANT,  
*President, Saillant Inc.,  
Quebec, Quebec.*

\*J. A. SCRYMGEOUR,  
*President and Chairman of the Board,  
Westburne International Industries Ltd.,  
Calgary, Alberta.*

R. D. SOUTHERN,  
*President, Atco Industries Ltd.,  
Calgary, Alberta.*

D. N. STOKER,  
*Vice-President and Director,  
Nesbitt, Thomson and Company, Limited,  
Montreal, Quebec.*

D. W. WESTCOTT,  
*President, Engineering & Plumbing Supplies Limited,  
Winnipeg, Manitoba.*

\*W. S. ZARUBY,  
*President, Westburne Petroleum Services Ltd.  
Calgary, Alberta.*

\*Members of the Executive Committee.

## OFFICERS

J. A. SCRYMGEOUR,  
*President and Chairman of the Board.*

LUCIEN CORNEZ,  
*Senior Vice-President — Equipment and Supplies*

WALTER S. ZARUBY,  
*Senior Vice-President — Drilling.*

S. ABRAMOVITCH,  
*Vice-President — Finance.*

W. J. CUMMER,  
*Treasurer.*

L. R. ROBERTS,  
*Controller.*

J. C. CRAWFORD,  
*Secretary.*

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### Head Office

535 Seventh Avenue S.W., Calgary, Alberta.

### Transfer Agent and Registrar

Montreal Trust Company,  
Vancouver, Calgary, Regina, Winnipeg, Toronto and  
Montreal.

### Stock Exchanges

The Toronto Stock Exchange.  
The Montreal Stock Exchange.

### Legal Counsel

MacKimmie Matthews, Calgary, Alberta.  
Dunnington, Bartholow & Miller, New York, U.S.A.

### Auditors

Touche Ross & Co.

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## Annual Meeting

The Annual General Meeting of the Shareholders will be held in the Waterton Suite, The Calgary Inn, in the City of Calgary, Alberta at 10:00 o'clock in the forenoon on Monday, June 26, 1972.

## CONSEIL D'ADMINISTRATION

T. H. ATKINSON, M.C.,  
Banquier,  
Mont-Bruno, Québec.  
W. M. BOOTH,  
Président, Consolidated Oil & Gas, Inc.,  
Denver, Colorado, U.S.A.  
J. H. COLEMAN,  
Chairman délégué et Vice-président exécutif,  
La Banque Royale du Canada,  
Toronto, Ontario.

\* L. CORNEZ,  
Président, United Westburne Industries Limited,  
Montréal, Québec.

\* F. R. MATTHEWS, C.R.,  
Associé de MacKimmie Matthews,  
Calgary, Alberta.

A. PALMER,  
Président, Palmers Plumbing Supply Limited,  
Ottawa, Ontario

J. RIMERMAN,  
Président, Craig Plumbing & Heating Supplies Co. Ltd.,  
Montréal, Québec.

M. SAILLANT,  
Président, Saillant Inc.,  
Québec, Québec.

\* I. A. SCRYMGEOUR,  
Président du Conseil et Président,  
Westburne International Industries Ltd.,  
Calgary, Alberta

R. D. SOUTHERN,  
Président, Alco Industries Ltd.,  
Calgary, Alberta.

D. N. STOKER,  
Vice-président et Administrateur,  
Nesbitt, Thomson and Company Limited,  
Westmount, Québec.

D. W. WESTCOTT,  
Président, Engineering & Plumbing Supplies Limited,  
Winnipeg, Manitoba.

\* W. S. ZARUBY,  
Président, Westburne Petroleum Services Ltd.,  
Calgary, Alberta

\* Membres du Comité exécutif

## DIRECTION

J. A. SCRYMGEOUR,  
Président du Conseil et Président.

LUCIEN CORNEZ,  
Vice-Président principal — Matériels et Fournitures.  
WALTER S. ZARUBY,  
Vice-Président principal — Forage  
S. ABRAMOVITCH,  
Vice-Président — Finance.

W. J. CUMMER,  
Trésorier.  
L. R. ROBERTS,  
Contrôleur.  
J. C. CRAWFORD,  
Secrétaire.

## Siège Social

535 - 7ème Avenue Sud-ouest, Calgary 2, Alberta.

## Agent de Transfert et D'Immatri-culation des Actions

Montreal Trust Company,  
Vancouver, Calgary, Regina, Winnipeg, Toronto et  
Montréal.

## Cotation

Bourse de Toronto  
Bourse de Montréal

## Conseillers Juridiques

MacKimmie Matthews, Calgary, Alberta.  
Dunnington, Bartholow & Miller, New-York, U.S.A.

## Vérificateurs

Touche Ross & Cie.

## Assemblée Annuelle

L'assemblée générale annuelle des actionnaires de la société se tiendra au salon Waterton, The Calgary Inn, à Calgary, lundi le 26 juin 1972, à dix heures du matin.



# 11. BENEFICES NON REPARTIS

- (a) En vertu des lois en vigueur, un montant de \$1,797,000 (égal à la valeur au pair des actions privilégiées rachetées) ne peut être distribué aux actionnaires.
- (b) Une entente avec certains actionnaires privilégiés exige l'établissement d'un fonds pour rachat. On a réservé \$61,000 à cette fin.
- (c) Les actes fiduciaires en vertu desquels furent émises les débentures, séries "A", "B", et "C" prévoient certaines restrictions au paiement des dividendes.

# 12. RESTRICTIONS DE CHANGE A L'ETRANGER

Des actifs net à court terme de \$343,000 sont sujets à des restrictions de change à l'étranger.

# 13. ENGAGEMENTS

- (a) Une filiale s'est engagée par lettre à garantir 5% du coût de deux nouveaux appareils de forage au large des côtes devant être achetées à un coût estimatif de \$24,000,000 par Southern Commonweath Drilling Ltd., une compagnie dans laquelle elle possède un intérêt de 5%.
- (b) La Compagnie a conclu des baux sur des immeubles dont le loyer annuel était d'environ \$540,000 au 31 mars 1972 et les termes s'échelonnent jusqu'en novembre 1980.
- (c) La Compagnie est engagée envers Panarctic Oils pour une somme de \$403,000, tel que décrit dans la note 2 (a).

# 14. REMUNERATION DES ADMINISTRATEURS ET DES MEMBRES DE LA HAUTE DIRECTION

La Compagnie et ses filiales ont versé à tous les administrateurs et membres de la haute direction, y compris les administrateurs qui sont membres de la direction, une somme globale de \$412,000 au cours de l'année terminée le 31 mars 1972.

# 15. EVENEMENTS POSTERIEURS A LA DATE DU BILAN

Des ententes ont été conclues permettant à une ou plusieurs filiales d'obtenir des imprunts pouvant aller jusqu'à \$5,000,000, garantis par une charge sur des biens immobiliers et portant intérêt à 9%. Les remboursements se feront par versements mensuels, incluant capital et intérêts, amortis sur une base de 20 ans et le solde venant à échéance dans 5 ans. Au 8 mai 1972, de tels emprunts avaient été obtenus pour un montant de \$2,100,000.

# 16. BENEFICE PAR ACTION ORDINAIRE

	1972	1971
Bénéfice de base par action ordinaire	\$0.85	\$0.92
Postes extraordinaires	0.01	0.06
Bénéfice net	\$0.86	\$0.98
Bénéfice dilué par action ordinaire	\$0.75	\$0.79
Postes extraordinaires	0.01	0.04
Bénéfice net	\$0.76	\$0.83

Le bénéfice dilué par action ordinaire tient compte de l'exercice des warrants et des options en cours et de la conversion des actions privilégiées subordonnées.

Si l'on calcule le bénéfice par action ordinaire conformément à l'Opinion 15 du Accounting Principles Board de l'American Institute of Certified Public Accountants, on obtient le résultat suivant:

	1972	1971
Bénéfice primaire par action ordinaire	\$0.83	\$0.91
Postes extraordinaires	0.01	0.06
Bénéfice net	\$0.84	\$0.97
Bénéfice dilué par action ordinaire	\$0.75	\$0.80
Postes extraordinaires	0.01	0.05
Bénéfice net	\$0.76	\$0.85

## 9. CAPITAL

(a) Capital — actions			
Autorisée	Emis		
Actions	Montant	Actions	Montant
680,000	\$17,000,000	205,400	5,135,000
		4,130	103,250
		201,270	5,031,750
300,000	3,000,000	49,500	495,000
		140,000	1,400,000
		1	\$ 6,926,750
8,952,000	8,952,000	(1)2,893,303	\$ 2,893,303
		12,390	12,390
		(2)3,015,693	\$ 3,015,693

- (1) La filiale détenant 728,980 actions au 31 mars 1971 a disposé de 110,000 actions comme partie de la considération versée pour l'acquisition des actions d'une autre compagnie.
- (2) Excluant 618,980 actions encore détenues par une filiale.

### (b) Actions ordinaires réservées

- (1) 148,744 actions ordinaires sont réservées pour émission en prévision de l'exercice, jusqu'au 15 mars 1977, de 148,744 warrants d'achat d'actions, série A, pour une considération en espèces de \$6 par action;
- (ii) 198,000 actions ordinaires sont réservées pour émission en prévision de la conversion, entre le 1er janvier 1973 et le 31 décembre 1979, de 49,500 actions privilégiées subordonnées, 5% cumulatif, rachetables, convertibles, série 1969;
- (iii) 140,000 actions ordinaires sont réservées pour émission en prévision de la conversion, entre le 1er janvier 1975 et le 31 décembre 1980, de 140,000 actions privilégiées subordonnées, 6% cumulatif, rachetables, convertibles, série 1970;
- (iv) 603,810 actions ordinaires sont réservées pour émission en prévision de la conversion, d'ici le 1er mars 1977 de 201,270 actions privilégiées, 8% cumulatif, rachetables convertibles, série A;
- (v) 15,000 actions ordinaires sont réservées pour émission en prévision de l'exercice d'ici le 1er avril 1979, de 15,000 warrants d'achat d'actions série B, pour une considération en espèces de \$14 par action, sujette à redressement dans certaines circonstances;
- (vi) 15,000 actions ordinaires sont réservées pour émission en prévision de l'exercice, d'ici le 28 février 1981, de 15,000 warrants d'achat d'actions, série C, pour une considération en espèces de \$8 1/3 par action, sujette à redressement dans certaines circonstances.

## 10. SURPLUS D'APPORT

Soide d'ouverture	\$ 678,000	1972	\$ 1,776,000
Redressement pour la fusion d'intérêts communs	—	1971	\$ 678,000
Imputation d'une partie du prix d'émission d'actions ordinaires	1,081,000		25,000
Gain à l'achat pour annulation d'actions privilégiées	17,000		187,000
			443,000
			\$ 23,000



7. IMPOTS SUR LE REVENU

(a) Impôts sur le revenu reportés.

En vertu des dispositions de la Loi canadienne de l'impôt sur le revenu, la Compagnie a le droit de réclamer et elle a réclame une allocation du coût en capital et des dépenses intangibles d'exploration et de mise en production supérieures aux montants inscrits dans les comptes. À cet égard, la pratique comptable courante recommande de comptabiliser les impôts sur le revenu des compagnies selon la méthode du "report d'impôt" pour les différences dues à des écarts de temps entre le revenu comptable et le revenu imposable. La Compagnie a adopté cette politique relativement à certaines différences dues à des écarts de temps relatifs aux dépenses intangibles d'exploration et de mise en production ne convient pas aux filiales dans l'industrie pétrolière. D'autres compagnies et individus dans ce secteur partagent cette opinion. Si la Compagnie avait utilisé la méthode du "report d'impôt" pour les dépenses intangibles d'exploration et de mise en production, des impôts sur le revenu reportés additionnels pour un total de \$1,910,000 auraient été comptabilisés au 31 mars 1972 (\$1,648,000 au 31 mars 1971), une augmentation de \$262,000 au cours de l'année (\$198,000 pour 1971).

(b) Déductions pour l'exploration des gisements pétroliers et de gaz.

En vertu des dispositions de la Loi canadienne de l'impôt sur revenu, les compagnies dont l'activité principale porte sur l'exploitation des gisements pétroliers et de gaz ont le droit de déduire dans le calcul du revenu imposable les dépenses effectuées pour l'exploration et la mise en production des gisements pétroliers et de gaz. On peut déduire ces dépenses dans l'année où elles sont effectuées jusqu'à concurrence des revenus afférents; tout excédent peut cependant être reporté aux exercices futurs indéfiniment pour être imputé de la même manière aux revenus de chacune des années ultérieures jusqu'à déduction totale du montant des dépenses.

La Compagnie a acquis des filiales qui avaient effectué de telles dépenses. En calculant leur revenu imposable, ces filiales ont déduit les dépenses effectuées au cours d'années antérieures. Le Ministère du Revenu national — Division de l'impôt a mis en doute la possibilité pour de telles filiales de déduire ces montants particuliers, expliquant qu'à son avis le droit pour de telles filiales de réclamer ces déductions ne s'appliquait plus aux filiales à cause de certaines ententes qu'elles avaient conclues avant leur acquisition par la Compagnie. La Compagnie, ayant obtenu l'avis d'un conseiller, croit que ces filiales ont encore droit aux déductions. Le Ministère du Revenu national — Division de l'impôt a émis des avis de cotisation et la Compagnie a interjeté appel. Le montant de ces cotisations s'élève à \$320,000 pour l'année terminée le 31 mars 1969. De plus, des montants d'impôts d'environ \$233,000, \$209,000 et \$82,000 peuvent être exigibles pour les années terminées les 31 mars 1970, 1971 et 1972 respectivement.

La Compagnie a créé, à même les revenus de 1969 et 1970, une réserve pour impôt sur le revenu d'environ \$340,000 disponible si les recours et, si nécessaire, les actions en justice ne devaient pas réussir. L'application du principe général inclus dans la Loi canadienne de l'impôt sur le revenu permettant la déduction des dépenses effectuées pour l'exploration et la mise en production des gisements pétroliers, n'est pas contestée. En conséquence, on ne soulève aucune question quant à la possibilité de déduire les dépenses actuellement effectuées pour l'exploration des gisements pétroliers, miniers et de gaz.

(c) Le Ministère du Revenu national — Division de l'impôt a fait objection aux droits de la compagnie de déduire pour fins d'impôts certaines dépenses relatives à des financements et a émis un avis de cotisation pour l'exercice financier terminé le 31 mars 1970. Sur avis de son conseiller juridique, la Compagnie a porté cette cotisation en appel — Si cet appel est rejeté, des montants d'impôt approximatifs de \$48,000 et de \$27,000 peuvent être exigibles pour les exercices terminés les 31 mars 1971 et 1972 respectivement.

8. PART DES ACTIONNAIRES MINORITAIRES

	1972	1971
Actions privilégiées . . . . .	\$ 2,635,000	\$ 2,723,000
Actions ordinaires et surplus d'apport . . . . .	225,000	256,000
Bénéfices non répartis . . . . .	502,000	501,000
	<u>\$ 3,362,000</u>	<u>\$ 3,480,000</u>

La politique de la Compagnie consiste à amortir le coût des installations et de l'équipement à leur valeur de rebut estimative sur une période correspondant à leur durée utile prévue.

L'amortissement est pris en compte ainsi:

Immeubles — à des taux de 5 % à 10 %, principalement selon la méthode de l'amortissement décroissant.

Appareils de forage — à un taux par jour de forage, établi pour répartir le coût d'origine moins une valeur de rebut de 30 % sur 3,000 jours de forage (environ 20 ans).

Cablage des foreuses — amortissement linéaire relié aux opérations de forage.

Équipement de production pétrolière, concessions pétrolières et minières, et frais de mise en production — unité de production basée sur la méthode du coût global et les réserves récupérables estimatives.

Autre équipement — principalement à des taux de 20 % à 30 % selon la méthode de l'amortissement décroissant.

#### 4. EXCÉDENT DU COÛT DES PLACEMENTS EN ACTIONS DANS DES FILIALES PAR RAPPORT A L'ACTIF NET A LA DATE D'ACQUISITION

L'excédent non amorti du coût des placements en actions dans des filiales par rapport à l'actif net à la date d'acquisition résulte du fait que les filiales comptabilisent les acquisitions de leurs propres filiales selon la méthode de "fusion d'intérêts étrangers". On a imputé cet excédent comme suit:

Immobilitisations	\$ 442,000
Actif incorporel	2,779,000
	<u>\$3,221,000</u>

La direction est d'avis que le montant de \$2,779,000 imputé à l'actif incorporel est une valeur permanente et, pour cette raison, elle n'entend pas l'amortir.

#### 5. ÉLÉMENTS D'ACTIF AFFECTÉS EN GARANTIE

A titre de garantie sur ses emprunts de banque, la Compagnie a nanté tous ses comptes à recevoir, certains placements et certaines de ses installations pour la production pétrolière et de gaz, et a émis des débentures nantées par des charges flottantes sur certains éléments d'actif.

La Compagnie a également consenti une charge flottante sur certains éléments d'actif, en garantie des débentures en cours, avec fonds d'amortissement, au montant de \$5,248,000, ainsi que des hypothèques garanties par certains biens et améliorations de nature immobilière. (voir note 15.)

#### 6. DETTE A LONG TERME

(a) Débentures avec fonds d'amortissement	
Série A — 7%, échéant le 15 mars 1987 (1)	\$ 3,958,000
Série B — 7½%, échéant le 1er août 1982	440,000
Série C — 8½%, échéant le 31 mars 1989	850,000
	<u>5,248,000</u>
	\$ 4,050,000
	480,000
	<u>900,000</u>
	5,430,000



## Notes aux états financiers consolidés, 31 mars 1972

## 1. PRINCIPES DE CONSOLIDATION ET POLITIQUE COMPTABLE

(a) Les états financiers consolidés comprennent les comptes de Westburne International Industries Ltd. et de toutes ses filiales (collectivement nommées dans les notes qui suivent comme "la Compagnie"). 618-980 actions ordinaires de Westburne International Industries Ltd. détenues par une filiale au coût de \$2,274,000 sont éliminées par la consolidation.

(b) Les actifs et passifs, revenus et dépenses de la Compagnie en fonds étrangers ont été convertis en dollars canadiens comme suit:

(i) Les disponibilités et exigibilités au taux de change en fin d'exercice;

(ii) Les autres actifs et passifs au taux de change prévalant lorsque ces actifs ont été acquis et ces passifs assumés; et

(iii) Les revenus et dépenses sauf l'amortissement et l'épuisement au taux de change moyen pour l'exercice.

(c) Au 31 décembre 1970, Trimac Transportation Limited ("Trimac") a été revendue aux anciens propriétaires de cette compagnie en leur rendant toutes les actions émises et en cours de Trimac en échange de 1,048,000 actions ordinaires de Westburne, remises pour annulation, et d'un paiement en espèces de \$200,000.

L'imputation de 1971 aux bénéfices non répartis consécutive à la rétrocession de Trimac se résume comme suit:

## 2. PLACEMENTS ET AVANCES

(a) Panarctic Oils Ltd. La Compagnie au 31 mars 1972 détenait 171,662 actions privilégiées d'une valeur au pair de \$10 chacune et 28,235 actions ordinaires de Panarctic obtenues contre un engagement de sa part à consacrer \$1,719,000 à des opérations d'exploration et de forage sur des terrains contrôlés par Panarctic dans les îles de l'Arctique. Une somme de \$1,316,000 avait été versée au 31 mars 1972. Le solde de \$403,000 sera versé à diverses dates d'ici mars 1973.

(b) Billets à recevoir — Administrateurs et employés. La Compagnie détient des billets des administrateurs et des employés, y compris des dirigeants, provenant de souscriptions à des actions privilégiées et ordinaires de la Compagnie; de ces billets, \$495,000 portent intérêt au taux de 5% et viennent à échéance le ou avant le 31 décembre 1979, et \$1,400,000 portent intérêt à 6% et viennent à échéance le ou avant le 31 décembre 1980.

### 3. IMMOBILISATIONS, AMORTISSEMENT ET ÉPUISEMENT

1972		1971	
Valeur		Valeur	
Comptable	Nette	Comptable	Nette
\$ 1,585,000	\$ 1,585,000	\$ 1,560,000	\$ 1,560,000
Immeubles	8,158,000	6,123,000	4,914,000
Appareils de forage	19,619,000	12,540,000	9,364,000
Câblage des foreuses	4,111,000	2,279,000	2,091,000
Équipement de production	3,483,000	2,584,000	3,192,000
pétrolière	5,889,000	2,642,000	2,418,000
Autre équipement	7,305,000	4,688,000	1,953,000
Concessions pétrolières et			
minières et frais de mise en			
production			
\$50,150,000	\$32,441,000	\$43,954,000	\$27,421,000

## (en milliers de dollars)

OL



*Etat consolidé des bénéfices non répartis  
pour l'année terminée le 31 mars 1972  
(en milliers de dollars)*

SOLDE AU DEBUT DE L'ANNEE . . . . .		1972		1971	
AJOUTER					
Bénéfice net de l'année . . . . .		3,118		3,354	
Réduction de la part des actionnaires minoritaires résultant de l'augmentation de la participation dans United Westburne Industries Limited passée à 95,48% . . . . .		40		643	
Bénéfice net — Opérations discontinuées (note 1(c)) . . . . .		—		720	
		20,653		23,161	
DEDUIRE					
Dividendes sur actions privilégiées		404		391	
Série A . . . . .		84		92	
Série 1970 . . . . .		25		25	
Série 1969 . . . . .		—		1	
Augmentation de la part des actionnaires minoritaires provenant de l'émission d'actions privilégiées aux actionnaires minoritaires de filiales .		—		—	
Frais financiers — (déduction faite des impôts sur le revenu afférents de \$236,300) . . . . .		—		236	
Réduction relative à la rétrocession de Trimac Transportation Limited (note 1(c)) . . . . .		—		4,478	
Redressement pour la fusion d'intérêts communs à la rétrocession de Trimac Transportation Limited . . . . .		—		443	
SOLDE A LA FIN DE L'ANNEE . . . . .		\$ 20,140		\$ 17,495	

*Etat consolidé des revenus  
pour l'année terminée le 31 mars 1972  
(en milliers de dollars)*

1972	1971
	\$
REVENUS D'EXPLOITATION	
Ventes de marchandises . . . . .	109,358
Forage sous contrat . . . . .	19,604
Production pétrolière et de gaz . . . . .	1,674
	130,636
COÛTS ET DEPENSES	
Coût des ventes — marchandises . . . . .	91,010
Forage sous contrat . . . . .	14,720
Production pétrolière et de gaz . . . . .	714
Amortissement et épuisement (note 3) . . . . .	2,139
Frais généraux, de vente et d'administration . . . . .	16,130
	124,713
BENEFICE D'EXPLOITATION . . . . .	5,923
AUTRES DEPENSES (REVENUS)	
Intérêt sur la dette à long terme . . . . .	1,174
Autres intérêts . . . . .	707
Intérêts et autres revenus de placement . . . . .	(815)
Gain à la vente d'immobilisations . . . . .	(2)
	1,064
BENEFICE AVANT IMPOTS SUR LE REVENU ET POSTES EXTRAORDINAIRES . . . . .	4,859
IMPOTS SUR LE REVENU (note 7) . . . . .	
Exigibles . . . . .	1,425
Reportés . . . . .	111
	1,536
BENEFICE AVANT POSTES EXTRAORDINAIRES . . . . .	3,323
POSTES EXTRAORDINAIRES	
Perte à la vente de placements . . . . .	(6)
Gain sur change étranger . . . . .	41
BENEFICE AVANT LA PART DES ACTIONNAIRES MINORITAIRES . . . . .	3,358
Part des actionnaires minoritaires . . . . .	240
	3,118
BENEFICE NET DE L'ANNEE . . . . .	\$ 3,118
Bénéfice par action ordinaire après dividendes sur actions privilégiées (note 16)	
	\$ 3,354
	233
	3,587
	173
	—
	3,414
	909
	302
	607
	4,323
	751
	(265)
	(920)
	797
	1,139
	5,074
	99,640
	12,921
	1,967
	573
	13,510
	70,669
	104,714
	1,420
	18,608
	\$ 84,686
	1971



PASSIF

1971	1972	
		EXIGIBILITES
		Emprunts de banque, garantis (note 5)
\$ 9,035	\$ 15,925	Comptes à payer
13,418	19,231	Impôts sur le revenu à payer (note 7)
(87)	1,191	Dividende à payer
76	75	Dette à long terme échéant à moins d'un an
2,332	2,520	TOTAL DES EXIGIBILITES
24,774	38,942	DETTE A LONG TERME MOINS MONTANT ECHEANT
12,116	13,428	A MOINS D'UN AN (notes 5 et 6)
2,763	2,875	IMPOTS SUR LE REVENU REPORTEES (note 7)
3,480	3,362	PART DES ACTIONNAIRES MINORITAIRES (note 8)
43,133	58,607	TOTAL DU PASSIF

AVOIR DES ACTIONNAIRES

		CAPITAL – ACTIONS (note 9)
		Privilégié
		Ordinaire
		SURPLUS D'APPORT (note 10)
		BENEFICES NON REPARTIS (note 11)
		TOTAL DE L'AVOIR DES ACTIONNAIRES
		TOTAL DU PASSIF ET DE L'AVOIR DES ACTIONNAIRES
7,030	6,927	
2,893	3,016	
678	1,776	
17,495	20,140	
28,096	31,859	
\$ 71,229	\$ 90,466	

RAPPORT DES VERIFICATEURS

Aux actionnaires,  
Westburne International Industries Ltd.

Nous avons examiné le bilan consolidé de Westburne International Industries Ltd. et ses filiales au 31 mars 1972 et les états consolidés des revenus, des bénéfices non répartis et de la provenance et de l'utilisation des fonds pour l'année terminée à cette date. En ce qui concerne Westburne International Industries Ltd. et les filiales dont nous sommes les vérificateurs, notre examen a compris une revue générale des méthodes comptables et les sondages des livres et des pièces justificatives que nous avons jugé nécessaires dans les circonstances. Relativement aux autres filiales dont nous ne sommes pas les vérificateurs, nous avons demandé les renseignements et procédé aux examens que nous avons jugés nécessaires pour accepter, aux fins de la consolidation, les rapports des autres vérificateurs.

A notre avis, ces états financiers consolidés exposent fidèlement la situation financière des compagnies au 31 mars 1972 ainsi que les résultats de leurs opérations et les mouvements de leurs trésoreries pour l'année terminée à cette date, conformément aux principes comptables généralement admis, appliqués suivant les mêmes modalités qu'au cours de l'année précédente.

# Bilan consolidé au 31 mars 1972

(en milliers de dollars)

## ACTIF

	1972	1971
DISPONIBILITES		
Encaisse et dépôts à court terme . . . . .	\$ 1,269	\$ 998
Comptes à recevoir . . . . .	26,310	20,658
Stocks, au moins du coût ou de la valeur de réalisation nette . . . . .	22,547	16,124
Frais payés d'avance . . . . .	414	361
TOTAL DES DISPONIBILITES . . . . .	50,540	38,141
PLACEMENTS ET AVANCES, AU COUT (note 2)		
Actions et avances		
Panarctic Oils Ltd. . . . .	1,316	936
Autres . . . . .	965	743
Billets et hypothèques à recevoir . . . . .	344	302
Billets à recevoir — administrateurs et employés . . . . .	1,895	1,895
IMMOBILISATIONS, AU COUT (note 3) . . . . .	50,150	43,954
Moins: Amortissement et épuisement accumulés . . . . .	17,709	16,533
	32,441	27,421
FRAIS FINANCIERS — moins amortissements . . . . .	186	200
EXCÉDENT DU COUT DES PLACEMENTS EN ACTIONS		
DANS DES FILIALES PAR RAPPORT A L'ACTIF		
NET A LA DATE D'ACQUISITION (note 4) . . . . .	2,779	1,591
TOTAL DE L'ACTIF . . . . .	\$ 90,466	\$ 71,229

SIGNE AU NOM DU CONSEIL:

J. A. SCRYMGEOUR,  
Administrateur,  
LUCIEN CORNEZ,  
Administrateur



## Résumé des bénéfices par secteurs (1)

(en milliers de dollars)

Pour l'année terminée le 31 mars 1972				Pour l'année terminée le 31 mars 1971			
Matériels et fournitures . . . . .	\$ 109,358	\$ 13,955	\$ 496	\$ 3,897	\$ 84,686	\$ 10,736	\$ 453
Forage sous contrat . . . . .	19,604	1,723	1,033	2,129	18,608	1,624	942
Exploration et production pétrolières et minières . . . . .	1,674	48	569	342	\$ 1,420	\$ 62	\$ 553
Ajouter (déduire)	\$130,636	\$15,726	\$ 2,098	\$ 6,368	\$104,714	\$12,422	\$ 1,948
Frais généraux d'administration . . . . .			(445)				\$ (517)
Frais d'intérêts . . . . .			(1,881)				(1,936)
Intérêts et autres revenus de placement			815				920
Gain à la vente d'immobilisations . . . . .			2				265
Gains extraordinaires moins les pertes . . . . .			35				173
Impôts sur le revenu . . . . .			(1,536)				(909)
Bénéfice avant la part des actionnaires minoritaires . . . . .							
			\$ 3,358				\$ 3,587

NOTE - (1) Les chiffres sont présentés par secteurs d'activités plutôt que sur une base corporative.

également ses travaux de recherches techniques pour le compte d'un groupe de sociétés pétrolières mondiales. Ces études ont pour objet l'établissement des procédures technologiques nécessaires pour le forage dans l'océan Arctique ainsi que la planification de l'équipement qui sera requis.

Les forages en mer ont atteint un niveau record en 71/72. Westburne possède un intérêt de 5% dans deux vaisseaux semi-submersibles en opération à l'est des côtes canadiennes, ainsi que dans un troisième en mer du Nord. Une quatrième unité est en voie d'achèvement à Halifax. De plus, un vaisseau de type "Jack-up" a été acheté durant l'année et se trouve au Ghana, en Afrique.

Ailleurs à l'étranger, nos opérations continuent de s'étendre et de progresser, tout autant en Algérie qu'en Indonésie et durant le présent exercice financier elles débiteront dans l'Arctique norvégien. D'autres possibilités sont actuellement étudiées pour l'obtention de contrats de forage dans d'autres pays. Finalement, nous avons vendu au comptant les trois tours de forage que nous possédions en Australie en raison des perspectives peu favorables pour les forages conduits sur terre dans ce pays.

## Exploration et Production

Notre production, pendant l'exercice sous revue, s'est élevée à 431,000 barils nets de pétrole brut et à 1,26 milliard de pieds cubes de gaz naturel, en comparaison de 354,000 barils de pétrole et 1,30 milliard de pieds cubes de gaz l'an dernier. Déduction faite des royalties, le revenu provenant des ventes de pétrole et de gaz ainsi que de l'exploitation de notre pipe-line d'eau s'est monté à \$1,674,000, soit un progrès de 18% par rapport à l'année précédente. Au 31 mars 1972, notre production pétrolière nette était de l'ordre de 1,232 barils par jour, ce qui représente une augmentation de 23% sur 1971.

Durant l'exercice, Westburne a participé au forage de 31 puits de pétrole—tous fructueux—dans l'ouest du Canada, et nos plans y prévoient le forage de 9 puits subséquents de mise en valeur.

Au 1er janvier 1972, McDaniel Consultants (1965) Ltd, une firme d'experts indépendants, a estimé que nos réserves pétrolières prouvées étaient de quelque 6,300,000 barils nets, tandis que les réserves probables additionnelles seraient de l'ordre de 5,647,000 barils nets. Ces réserves sont recelées dans treize champs pétroliers situés en Saskatchewan, Alberta et Colombie Britannique. Elles sont réparties sous 2,405 puits bruts équivalant à 106 puits nets.

Grâce à notre intérêt de 2,26% dans Panarctic Oils Ltd, nous avons également participé à la découverte de pétrole récemment annoncée dans l'île d'Ellesmere ainsi que dans les larges découvertes de gaz révélées par trois autres puits forés dans d'autres îles de l'Arctique.

De plus, nous avons obtenu une participation dans six licences de production accordées par le Gouvernement du Royaume-Uni. Cette participation consiste en un intérêt de 5% dans deux blocs en mer du Nord, un bloc avoisinant les îles Shetland de l'ouest et deux autres en mer Celtique, ainsi qu'un intérêt de 2,5% dans un autre bloc en mer du Nord. En raison du niveau de productivité énorme révélé par les récentes découvertes effectuées en mer du Nord, nous croyons que cette région est sans doute l'une des plus

attrayantes au monde pour y conduire un programme d'exploration.

Dans le secteur minier, nous avons procédé à d'autres travaux d'évaluation uranium dans la région du Lac Baker dans les Territoires du Nord-Ouest. Nous y détenons un intérêt de 40%. Le terme de trois ans couvrant ce permis d'exploration étant venu à expiration, nous avons donc enregistré le maximum de 450 "claims" autorisé à l'intérieur des limites de ce permis.

## Perspectives

La découverte de pétrole à l'île d'Ellesmere, celle de gaz dans d'autres îles de l'Arctique, ainsi que la mise en valeur de vastes réserves d'hydrocarbures dans le delta du fleuve Mackenzie, ont polarisé l'attention publique sur le Grand Nord Canadien. Ces développements ont pris place au moment où la question de la suffisance des réserves énergétiques du continent nord-américain se pose de façon de plus en plus aiguë. Un exemple de cet état de chose est l'expansion prévue pour les cinq prochaines années, de plus de \$200,000,000 dans l'exploration des régions détenues par Panarctic Oils Ltd, et en mer du Nord, ainsi que par sa participation dans des contrats de forage dans ces deux régions. Westburne devrait bénéficier dans la plus large mesure de l'exploration intensifiée qui s'y déroule et se continuera longtemps.

En Alberta, des modifications aux règlements de production pétrolière ont été récemment annoncées. Ces changements devraient encourager les efforts d'exploration. La résultante de cette exploration accrue devrait signifier un accroissement de mise en valeur. Ces perspectives au Canada, en plus de l'expansion de nos activités à l'étranger, sont du meilleur augure pour notre division de forage durant l'exercice en cours.

Quant à notre division Matériels et Fournitures, particulièrement nos filiales engagées dans le commerce de la plomberie—chauffage et de l'équipement électrique, nous pensons qu'elles bénéficieront de l'expansion générale de l'économie canadienne.

En résumé, chacune de nos divisions regarde avec confiance les possibilités que lui réserve l'avenir.

Au nom du Conseil d'Administration,

JOHN A. SCRIMGEOUR.

Président et du Conseil d'Administration

Le 2 juin 1972





*Siège Social de Westburne, Calgary, Alberta*

## Rapport Aux Actionnaires

C'est un tribut aux efforts de toute l'organisation Westburne qui me permet de vous rapporter des revenus records en provenance des opérations pour l'année sous revue. Pour l'exercice fiscal terminé le 31 mars 1972 nos chiffres de ventes ont atteint \$130,636,000, soit une augmentation de 25% par rapport à \$104,714,000 réalisés en 1971.

Les bénéfices des opérations ont augmenté de 17% toutefois une réduction des bénéfices indirects et des profits extraordinaires a provoqué un déclin des bénéfices totaux nets. Ceux-ci se sont montés à \$3,118,000 contre \$3,354,000 l'an passé.

Les bénéfices nets attribuables aux actions ordinaires, avant postes extraordinaires, se sont montés à 85 cents par action contre 92 cents. Compte tenu des postes extraordinaires ce bénéfice a atteint 86 cents en comparaison de 98 cents.

Le "cash flow" des opérations a totalisé \$4,943,000.

## Matériels et Fournitures

Pendant l'année sous revue l'industrie de la construction au Canada a complètement récupéré de la récession de 1970. Dans ce contexte économique amélioré, nos filiales distributrices de matériel de plomberie, chauffage, ou de produits électriques, ont enregistré le chiffre de ventes le plus haut de leur histoire. Les mises en chantier domiciliaires, un barème économique significatif au Canada, sont passées de 191,000 à 234,000 unités, soit un progrès de 22.5%. Quant au chiffre d'affaires de notre division Matériels et Fournitures, il a dépassé \$109,358,000 en comparaison de \$84,686,000 l'année précédente. Les ventes de produits de plomberie, chauffage ou d'électricité, qui représentent la grosse majorité du volume de cette division, ont augmenté de quelque 32% par rapport à l'exercice financier terminé le 31 mars 1971. Les bénéfices d'exploitation de la division ont atteint \$3,897,000, soit un progrès de 40%.

Durant l'année, nous avons continué notre programme d'expansion dans la distribution de matériel électrique ou de plomberie et chauffage, et nous conduisons maintenant nos opérations à partir de quelque dix-huit succursales situées à travers le Canada. Dans l'industrie de la plomberie et du chauffage, nous avons ouvert trois nouvelles succursales à Sault-Ste-Marie, Prince George, et Halifax; ces deux dernières n'étant opérationnelles que depuis quelques mois, elles n'ont

## Forage

Nous avons également pris les mesures préparatoires nécessaires à intégrer la vente de matériel électrique dans nos succursales de plomberie-chauffage et vice-versa. Une fois ce programme complet, notre pénétration des marchés à l'échelle nationale s'en trouvera accentuée ce qui devrait permettre un progrès marqué de nos ventes et de nos profits.

Le chiffre d'affaires et les bénéfices de notre filiale spécialisée dans la vente des équipements pétroliers sont intimement liés à l'activité du forage. Ils sont demeurés à un niveau proche de celui de l'exercice précédent.

Les revenus bruts d'exploitation de notre division de forages à contrats ont atteint \$19,604,000 soit un progrès de 5% par rapport à l'année précédente. Toutefois, nous avons conservé notre rang d'entreprise la plus importante et la plus active du genre au Canada.

Faisant suite à une période d'activité réduite pendant la première partie de l'exercice, nous avons constaté une reprise significative des forages d'exploration ou de mise en valeur durant la seconde moitié, et il apparaît que cette tendance favorable durera en 1972 et 1973.

Notre expérience des forages dans l'Arctique durant les dernières années nous a montré la nécessité d'utiliser un équipement spécialisé et une technique des plus avancées. Pour rencontrer les besoins essentiels de prévoir des mises de fonds substantielles plus élevées que dans les cas des forages conventionnels. Westburne n'a pas hésité à y consacrer le capital nécessaire, afin de tirer profit des occasions se présentant dans cette région en pleine expansion exploratoire. Associés à 50% avec une autre entreprise, nous y exploitons trois appareils et y conduisons des opérations de forages pour le compte de Panarctic Oils Ltd. Deux nouvelles tours de forage sont actuellement à l'assemblage. Elles sont destinées à remplir des contrats récemment obtenus dans la même région. De plus, nous avons également un certain nombre d'autres appareils en opération dans le Yukon, les Territoires du Nord-Ouest ou sur le versant nord de l'Alaska. La division continue

## Faits Saillants

Pour l'année terminée le 31 mars		
Au 31 mars		
Total des revenus, d'exploitation	\$130,636,000	\$104,714,000
Bénéfice net de l'année	3,118,000	3,354,000
Bénéfice net attribuable aux actions ordinaires		
Avant postes extraordinaires	2,570,000	2,673,000
Par action ordinaire	0.85	0.92
Après postes extraordinaires	2,605,000	2,846,000
Par action ordinaire	0.86	0.98
Cash flow	4,943,000	5,183,000
Par action ordinaire	1.64	1.79
Immobilisations (nettes)	32,441,000	27,421,000
Total de l'actif	90,466,000	71,229,000
Dettes à long terme moins montant échéant à moins d'un an	13,428,000	12,116,000
Avoir des actionnaires privilégiés	6,927,000	7,030,000
Actions ordinaires	24,932,000	21,066,000
Par action ordinaire	8.27	7.28
Total de l'avoir des actionnaires	31,859,000	28,096,000
Nombre d'actions ordinaires en cours net	3,015,693	2,893,303
	1972	1971



# LE MONDE DE WESTBURNE

DIVISION DE FORAGE WESTBURNE  
(comprenant les entreprises conjointe diverses)



POINTS DE VENTE DE PRODUITS DE  
PLOMERIE ET D'ELECTRICITE



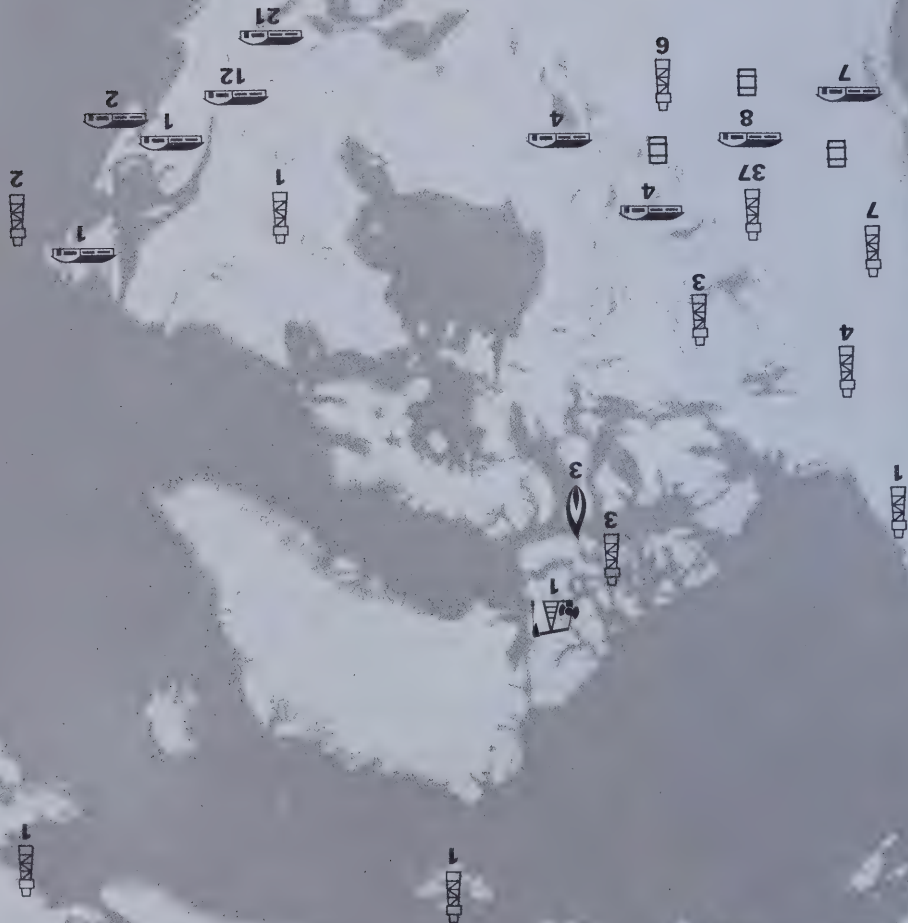
DECOUVERTES DE GAZ



DECOUVERTES DE PETROLIERS



RESERVES PETROLIERS PROVEES -  
6,300,000 BARILS NETS





*westburne international  
industries ltd.*

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*rapport annuel 1972*





File



Westburne  
Profile '72

Cover:  
Drilling in the Arctic—Drake Point—  
Westburne Petroleum Services Division

# WESTBURNE - PROFILE 72

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# Westburne International Industries Ltd.

## *Officers and Directors*

<u>Name</u>	<u>Position</u>	<u>Principal Occupation</u>
John A. Scrymgeour*	Chairman of the Board of Directors and President	Chief Executive Officer and Director of the Company
Lucien Cornez*	Senior Vice-President Equipment and Supplies and Director	Officer and Director of the Company; President of United
Walter S. Zaruby*	Senior Vice-President Drilling and Director	Officer and Director of the Company; President of WPS
Sam Abramovitch, C.A.	Vice-President Finance	Officer of the Company; Vice-President, Finance of United
P. Dave Williams	--	Vice-President of Westburne Petroleum and Minerals Ltd.
William J. Cummer	Treasurer	Officer of the Company
Lorne R. Roberts, C.A.	Controller	Officer of the Company
James C. Crawford	Secretary	Officer of the Company
John A. Reilly	Assistant Secretary	Officer of the Company
Thomas H. Atkinson, M.C.	Director	Retired bank executive
William M. Booth	Director	Consultant
John H. Coleman	Director	Executive Vice-President and Vice-Chairman of the Royal Bank of Canada
Francis R. Matthews, Q.C.*	Director	Partner of MacKimmie Matthews, Attorneys, Calgary, Alberta
Abraham Palmer	Director	President of Palmers Plumbing Supply Limited
Joseph Rimerman	Director	President of Craig Plumbing & Heating Supplies Co. Ltd.
Maurice Saillant	Director	President of Saillant Inc.
Ronald D. Southern	Director	President of Atco Industries Ltd.
Desmond N. Stoker	Director	Vice-President and Director, Nesbitt Thomson and Company, Limited
Druval W. Westcott	Director	President of Engineering & Plumbing Supplies Limited

\*Member of the Executive Committee

Westburne International Industries Ltd. was incorporated under the laws of Alberta in March 1969, and through its three principal subsidiaries, United Westburne Industries Ltd. (95% owned), Westburne Petroleum Services Ltd., formerly Commonwealth Petroleum Services Ltd. (100% owned), and Westburne Petroleum and Minerals Ltd. (100% owned), is engaged in three major lines of business:

- *Equipment and Supplies* consisting of plumbing, heating, the newly added electrical equipment, and distribution of oil field supplies;
- *Contract Drilling* consisting of domestic, foreign and offshore operations;
- *Oil and Mineral Exploration and Production* consisting of oil and gas producing properties, mineral exploration acreage, a 2.26% participation in Panarctic Oils Limited, a 5% participation in 5 blocks in the general North Sea area and a 2½% participation in a 6th one.

These principal subsidiaries operate with a wide degree of autonomy in day-to-day operational matters. In the opinion of management, this method of operation permits Westburne International to concentrate on policy determination and planning for future development and expansion.

The head office of the company is located in the Westburne Building at 535 Seventh Avenue South West, Calgary 2, Alberta, from where are managed the Canadian operations in contract drilling and oil production and exploration. The principal office of the equipment and supplies operations is located at 6333 Decarie Blvd., Montreal 252, Quebec. Foreign operations are managed from offices located in London, Singapore, Bermuda, Algeria and Beirut.



# Equipment and Supplies

## *United Westburne Industries Limited (United)*

### **History and Business**

United was incorporated as Westburne Oil Company Limited under the provision of the Alberta Companies Act on May 8, 1951, and until 1956 was engaged primarily in the purchase and sale of securities of oil and gas companies. From 1956 to 1964, United, through a wholly-owned subsidiary, Westburne Oil Development Limited, was engaged primarily in the ownership of interests in oil and gas properties. In 1964, this subsidiary transferred certain of its oil properties to another wholly-owned subsidiary, subsequently sold to Westburne Petroleum and Minerals Ltd., and United disposed of its shares of Westburne Oil Development Limited.

In 1963, United made its first investment in the wholesale plumbing and heating industry and, equally through acquisition and internal expansion has developed a wholesale plumbing and heating distributing chain throughout Canada. In 1971, United expanded in the electrical supplies wholesale industry, acquiring during that year and in early 1972 several companies engaged in that field which complements its other wholesale activities.

United operates one of the largest wholesale plumbing and heating and electrical supply chains in Canada. Its plumbing and heating product lines include bathtubs, basins, toilets, bidets, kitchen sinks, stainless steel and brass items, fixtures, steel pipe and fittings, plastic, asbestos, and fibre pipe, heating products, specialty items for heating, soil pipe, copper pipe and fittings, valves, heaters, sundry items such as air conditioning equipment. United's electrical supply product lines include wiring, conduits, panels, motor controls, switch valves and controls, condensers, capacitors, industrial electronic and distribution equipment, sub-stations, home appliances and electronic entertainment equipment and various other electrical equipment products. Such product lines and supplies are sold principally to contractors and industrial and institutional users through 66 branches at various locations throughout Canada.

### **Subsidiaries**

All of United's subsidiaries are wholly-owned; the main ones are listed below:

<u>Name</u>	<u>Location of Principal Office</u>	<u>Number of Branches</u>	<u>Area of Operations</u>
Saillant Inc.	Quebec City, Quebec	5	Quebec and New Brunswick
Craig Plumbing & Heating Supplies Co. Ltd.	Montreal, Quebec	11	Ontario, Quebec and Maritimes
Palmers Plumbing Supply Limited	Ottawa, Ontario	7	Ontario and Quebec
Hoffman Brothers Limited	Hamilton, Ontario	11	Ontario
Engineering & Plumbing Supplies Limited	Winnipeg, Manitoba	19	Ontario and Western Canada
MacDonald Electric Limited	Kitchener, Ontario	3	Ontario
Amesco (1967) Ltd.	Winnipeg, Manitoba	3	Western Canada
Haldane Electric Supply Ltd.	Toronto, Ontario	7	Ontario

The operating management committee of United is comprised of its president and chief executive officer, and of the presidents and general managers of the subsidiaries listed above, each of whom was a senior executive of his respective company prior to its acquisition by United. It has also been the company's policy to maintain the key personnel of the operations acquired. As a result, customer goodwill, operating experience and employee loyalty are retained.

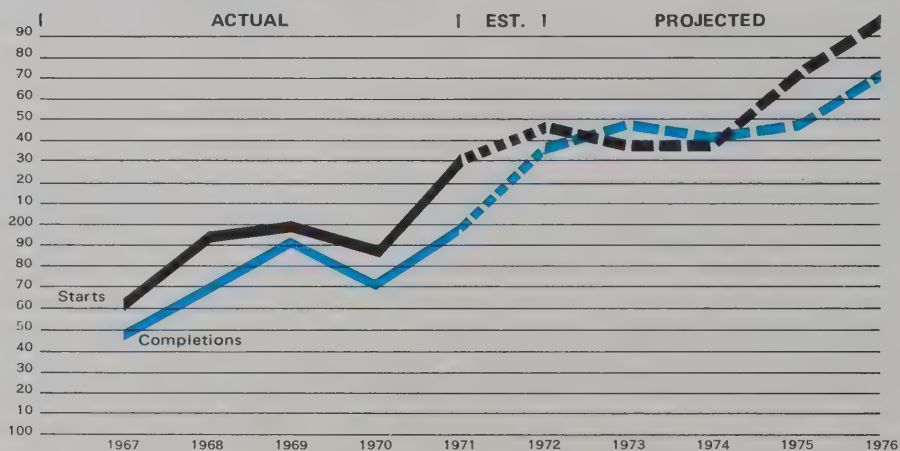
## Marketing and Sales

United has over 10,000 active accounts, the ten largest of which in the aggregate accounted for approximately 7% of the sales for the fiscal year ended March 31, 1972. While the group sells principally to contractors, it also sells to industrial users such as oil refineries, paper mills and chemical plants and to institutional users such as hospitals and schools.

In order to provide prompt delivery, the company maintains inventories of over 30,000 items, a Telex communication system between major branches and has available a fleet of trucks.

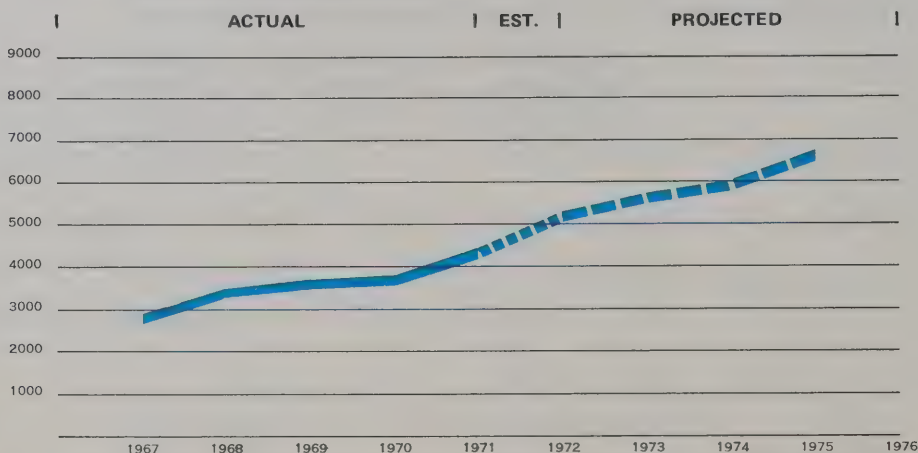
### CANADIAN HOUSING ACTIVITY (000's of units)

Sources: 1967-1971 Canadian Housing Statistics  
1972-1976 Toronto Dominion Bank



### HOUSING INVESTMENT IN CANADA (in current dollars) (millions of dollars)

Sources: 1967-1971 Canadian Housing Statistics  
1972-1976 Toronto Dominion Bank



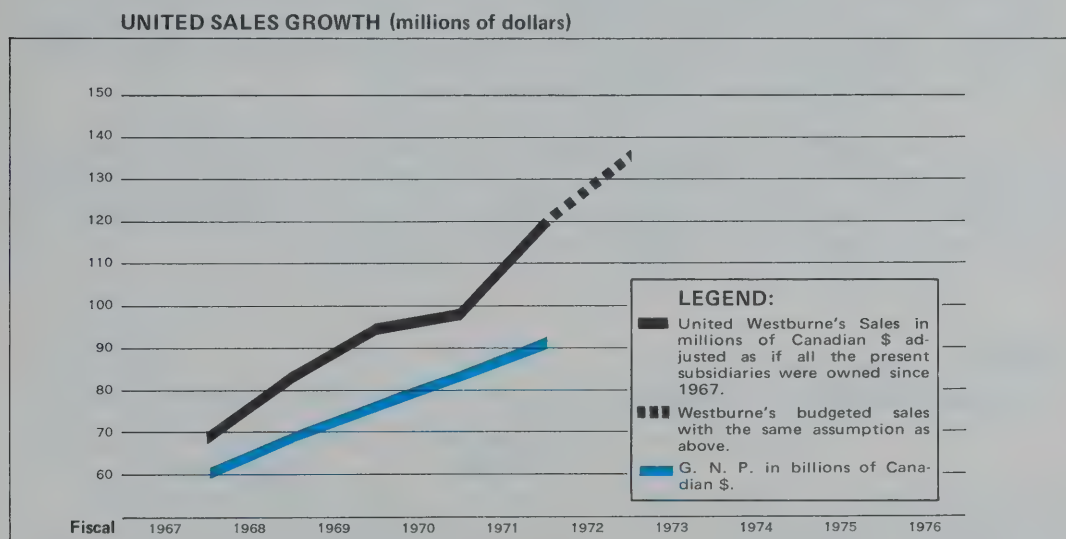
## Suppliers

Products are purchased from several hundred suppliers, none of which accounted for more than 10% of purchases for the fiscal year ended March 31, 1972. The items purchased from these suppliers are standard products and could readily be obtained from alternative sources.

## Facilities

In general, a United branch consists of an office and showroom as well as warehouse and storage facilities.

Of the 66 branches, 40 are leased and the remainder are owned.



## *Dominion Oilfields Supply Company Limited*

Dominion Oilfields Supply Company Limited ("Dominion"), a subsidiary of Westburne Petroleum Services Ltd., has been engaged for more than twenty years in the sale of equipment and supplies to oil and gas well operators and to drilling contractors in Western Canada. Dominion has also commenced business activities in supplying equipment and parts to the mining industry and the inspection and repair of oilfield tubular goods. Outlets are located at Calgary, Edmonton and High Level in Alberta, at Fort St. John in British Columbia and at Estevan in Saskatchewan.

Dominion maintains an inventory of over 3,000 items and provides most of the supplies required at a drilling site including tubular goods, valves, gaskets and tools. Many items handled, such as rock bits, motors and drilling rig components, are sold under franchise providing for direct delivery from the manufacturer to the purchaser. The products sold by Dominion are purchased from various manufacturers.

## *Western Rock Bit Company Limited*

Further Westburne International also owns a share ownership of approximately 20% in Western Rock Bit Company Limited, a manufacturing company which manufactures parts and assembles drilling bits under licenses from the Hughes Tool Co. of Houston, Texas.



# Contract Drilling

## *Westburne Petroleum Services Ltd. (WPS)*

### History and Business

The principal office of WPS (formerly Commonwealth Petroleum Services Ltd.) is located at Calgary, Alberta. WPS was incorporated under the Canada Corporations Act in July 1967 by the amalgamation of Southwest Petroleum Company Limited, Ace Oils Limited and Commonwealth Petroleum Services Ltd. For more than 30 years these three corporations had conducted operations, directly or through subsidiaries, in the oil and gas contract drilling, oilfield supply and production and exploration phases of the petroleum industry.

WPS is the largest oil and gas drilling contractor in Canada measured by the number of rigs operated and by total footage drilled. It also conducts operations in Norway, Indonesia, Algeria and Alaska. The company also has experience in both land and offshore platform drilling in the U.S.A. as well as land drilling in Australia, Portuguese Timor and Papua.

### Subsidiaries

The main subsidiaries of WPS engaged in oil and gas contract drilling are listed below:

	<u>Percentage of Ownership</u>	<u>Operating Area</u>
Commonwealth Drilling (Western) Limited	100%	Western Canada, North Slope of Alaska
Westburne Drilling Ltd.	100%	Western Canada, Northwest Territories, Yukon, Eastern Canada
Westburne International Drilling Limited	100%	Norway, Indonesia and Algeria
Commonwealth Hi-Tower Arctic Joint Venture	50%	Arctic Islands
Drillarctic Joint Venture	33⅓ %	Arctic Islands

WPS functions on a decentralized basis with each operating subsidiary having its separate management.

### Operations

This division provides a wide range of contract drilling services to its customers in the oil and gas industry. In providing these services, WPS supplies specialized as well as conventional drilling rigs, related equipment and facilities and the personnel required for their operation and maintenance. In addition, WPS provides consulting engineering services to its subsidiaries and outside clients.

Drilling contracts are normally obtained through competitive bidding primarily on an individual well basis. Such contracts differ as to rates and terms, depending upon the type of equipment used, the depth and location of the well and the operating conditions.

## Drilling Equipment

The following table describes the drilling equipment which WPS owned or in which it had an interest as at November 1, 1972:

Number of Rigs Owned	Percentage	Depth Rating	Area of Operations
Land Rigs	Owned		
11	100%	1,500' to 4,500'	Manitoba, Saskatchewan, Alberta, British Columbia, Northwest Territories, Yukon, Quebec and Alaska
18	100%	4,500' to 7,000'	
23	100%	7,000' to 12,500'	
3	100%	12,500' to 15,500'	
4	100%	15,500' to 20,000'	
1	100%	22,000'	Alberta
2	100%	7,000' to 12,500'	Indonesia
1	100%	12,000'	Norway
1	50%	10,000'	Arctic Islands
2	50%	15,000'	Arctic Islands
1	50%	18,000'	Arctic Islands
1	33 ⅓ %	15,000'	Arctic Islands
<u>Offshore Rigs</u>			
1 jack-up rig	100%	14,000'	West Africa
3 semi-submersibles	5%	20,000'(1)	East Coast of Canada

(1) Through ownership of 5% of shares of Southeastern Commonwealth Drilling Limited.

WPS estimates that for the year ended March 31, 1972 its rigs in the Northwest Territories and Western Canada represented approximately 18% of all rigs available in these areas and were operating (spud to release time) under contract for approximately 31% of available drilling day capacity. The utilization of drilling rigs is approximately 91% of the industry average in Canada and the difference, in the opinion of management, is a result of the company's policy of undertaking only contracts which provide an acceptable profit margin.

WPS, in addition to operating its own equipment, also provides personnel on a contract basis. In Algeria the company has a technical service contract with Sonatrach, the Algerian national oil company, through which it provides management, supervisory personnel and training assistance for Sonatrach's drilling operations.

A joint venture, composed of WPS and another Canadian drilling operator, operates four drilling rigs in the Canadian Arctic Islands.

Three of the rigs are specially designed air transportable diesel electric rigs, one of which has a rated capacity of 18,000' and two of 15,000'. The fourth rig is a 10,000' capacity helicopter transportable rig. Another project is the Drillarctic joint venture with two other drilling contractors which is operating a new 15,000' air transportable diesel electric rig in a special drilling program in the Arctic Islands for Horn River Resources Ltd. as operator for several exploration companies.

WPS has an interest (through the ownership of 5% of the shares of Southeastern Commonwealth Drilling Limited) in three SEDCO semi-submersible drilling vessels presently operating off the East Coast of Canada.

## Facilities

WPS' principal maintenance shop facilities and general office buildings are located in Calgary and Edmonton. WPS believes that its facilities, drilling rigs and other equipment have been well maintained and are generally well suited for their respective purposes.

## New Developments

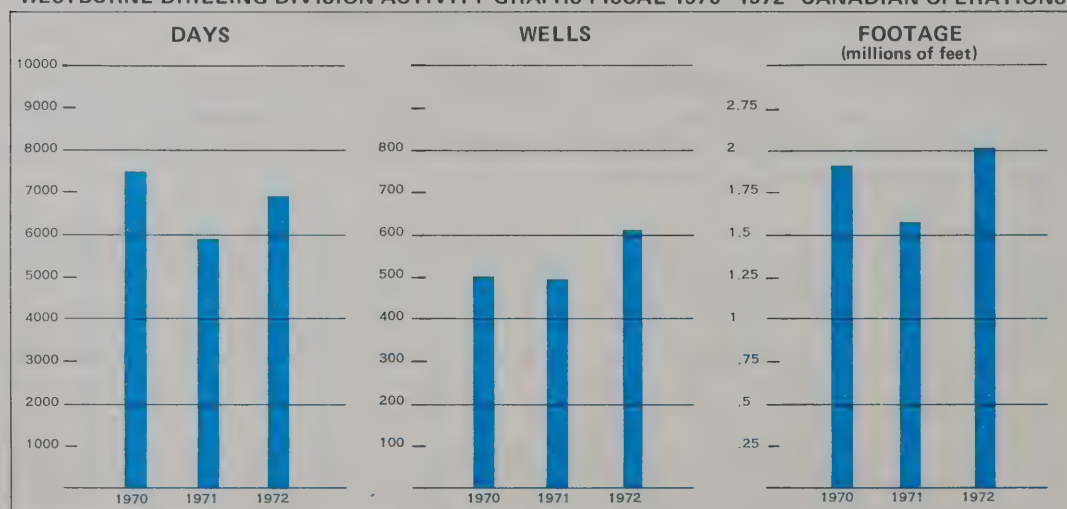
WPS has embarked upon a program to expand its offshore drilling activities. As part of this program, Westburne was instrumental in forming and undertaking an engineering study for a group of oil companies to develop methods and equipment for drilling in the Beaufort Sea in the Canadian Arctic. The result of this study is a proposal for construction and operation of a specially-designed offshore drilling barge, which proposal has recently been presented by the clients to Canadian Government authorities for their approval.

The consulting services now available in WPS are supporting the offshore expansion efforts of the operating subsidiaries as well as serving outside clients. As a result of these efforts an offshore jack-up rig was acquired. In addition, steps have been taken to involve the company in offshore drilling and exploration in the U.K. and Norwegian sectors of the North Sea. A wholly-owned subsidiary, Westburne Drilling & Exploration (UK) Limited, through participation with another U.K. exploration company, has obtained interests in six production permits in the U.K. sector of the North Sea. The company's subsidiary will have a five per cent participation in five blocks and a two and a half per cent participation in the sixth.

WPS' operating subsidiaries are also actively pursuing and bidding on other foreign drilling contracts, both on land and offshore, through offices in Singapore, London and Beirut.

WPS has designed and assembled two special helicopter transportable rigs for its foreign subsidiary, Westburne International Drilling Limited. These rigs are currently under contract in Spitsbergen, Norway and West Irian, Indonesia.

**WESTBURNE DRILLING DIVISION ACTIVITY GRAPHS FISCAL 1970-1972-CANADIAN OPERATIONS**





# Exploration and Production

## *Westburne Petroleum and Minerals Ltd.*

### Reserves

The company owns oil and gas reserves in various fields in Saskatchewan, Alberta and British Columbia. Its principal crude oil reserves are located in the Dodsland and Weyburne, Lochend, Provost, Pembina and Swan Hills fields in Alberta and the Boundary Lake field in British Columbia. Its principal natural gas reserves are located in the Leduc Woodbend fields in Alberta and the Fort St. John field in British Columbia.

A report dated February 28, 1972, prepared by McDaniel Consultants (1965) Ltd., petroleum reservoir analysts of Calgary, Alberta, with respect to the company's estimated net proven developed and probable additional reserves of crude oil, natural gas and natural gas liquids at January 1, 1972, located in thirteen fields in Saskatchewan, Alberta and British Columbia in 2,405 gross wells (106 net wells) shows net reserves (after royalty deductions and adjustments for interests of others) to be as follows:

	<u>Proven Developed Reserves</u>	<u>Probable Additional Reserves</u>	<u>Total Reserves</u>
Crude oil (barrels)	6,281,600	5,647,400	11,929,000
Natural gas (mmcf)	3,640	30	3,670
Natural gas liquids (barrels)	34,500	—	34,500

(1972 drilling activity is not included in the above reserves.)

### Development and Production

During the first six months of 1972 Westburne and its partners drilled and completed 29 wells and had a gross overriding royalty in 5 additional wells. All wells were completed as producers. These wells will contribute a substantial increase in Westburne's proven and probable reserves for the year of 1972.

Westburne Petroleum's principal area of activity is in the Provost field of central Alberta where it owns varying interests in 27,760 gross acres or (12,200 net acres). An area in the eastern portion of the Viking 'C' Pool of the Provost field was unitized on April 1, 1971 and Westburne Petroleum was designated as Manager-Operator of the unit. Westburne Petroleum has a 32% interest in this unit which consists of 57 quarter sections and contains 40 producing and 17 injection wells. Detailed studies are underway for expansion at this unit. In order to maintain pressure in the reservoir and to increase ultimate recovery, water is being injected into the producing zone as oil is produced. Westburne and others are in the process of forming a 137 well unit in South Provost that will involve the drilling and completing of 103 wells over the next three years. Westburne's interest in this project will be approximately 23% and over the next three years is expected to add an estimated 6 million barrels of proven and probable reserves to Westburne's interest.

Westburne Petroleum owns and operates a 25 mile pipeline system in the Provost area of East Central Alberta subject to a \$2,600,000 sale and leaseback financing arrangement. This pipeline supplies injection water to both the company's properties and to the properties of other companies located in this area. The addition of a booster station at the midpoint of the 25 mile line has increased the throughput by 25%.

Construction is in progress that will double the capacity of this water supply system. The division's net crude oil production is approximately 1,300 bbls. per day. The well head prices received for crude oil are normally those set by major purchasers in a particular field and apply generally to all companies producing from that field. Considering the demand for crude there is reason to expect a price increase in early 1973. The price received for natural gas is usually set out in long term gas purchase contracts for each particular field, which contracts generally provide for price escalation.

The provinces in which the company owns reserves or interests exercise comprehensive regulatory authority, including control of the maximum allowable rates of production of crude oil and natural gas from wells on the basis of conservation principles established and administered by the respective authorities. In addition, production of most crude oil in Alberta is prorated to market in accordance with a formula established by the Energy Resources Conservation Board of Alberta, which is designed to ensure each well or field a pro rata share of the available market for crude oil production based on reserves.

### **Mineral Exploration**

The Baker Lake uranium prospect in the Northwest Territories, in which the company has a 40% working interest, was further evaluated in the summer of 1971 by additional field work. Since the permit covering this prospect was in the final year of its three year term, the maximum allowable of 450 claims were staked within the permit area.

### ***Panarctic Oils Ltd.***

Westburne Petroleum follows the policy of spending a substantial part of its cash flow in the exploration for and development of oil and natural gas reserves. The exploration effort to date has been principally concentrated in the Canadian Arctic through its participation in Panarctic Oils Ltd. ("Panarctic").

Westburne Petroleum has a 2.258% interest in Panarctic, a venture organized by private industry and the Canadian Government to explore for oil and gas in the Arctic Islands sedimentary basin of Canada. Panarctic holds farmout agreements as of October 31, 1972 covering approximately 50,900,000 permit acres as well as 100% working interest in oil and gas exploration permits covering approximately 9,500,000 additional acres in the Arctic Islands.

The company has expended \$1,568,000 in support of the Panarctic program up to October 31, 1972 and as of that date has committed to expend the further sum of \$151,000 over the period November 1, 1972 to March 31, 1973. It is anticipated that further commitments will be made in support of Panarctic in the future. Panarctic is constituted in such a way that most participants, including Westburne Petroleum, are able to deduct from their taxable Canadian income as drilling

and exploration expenses their pro rata share of expenditures incurred by Panarctic's shareholder participants in Panarctic's drilling and exploration program including the amounts above mentioned.

Field exploration was commenced on Panarctic lands in March, 1968, when a seismograph survey party moved into the Arctic. Exploration drilling commenced in 1969 and to June 30, 1972, 22 wells had been drilled of which three resulted in significant gas discoveries, and two oil discoveries. As at October 30, 1972, 5 wells were being drilled.

There will be 13 rigs in the Islands over the winter, 4 more units than in the previous season. Panarctic will have 6 rigs under contract to drill as many as 18 wells by the summer of 1973. Discoveries to date represent between 13 trillion and 15 trillion cubic feet of gas reserves, a little over half of the 25 trillion cubic feet required to build a pipeline.

In July 1971, Panarctic announced the signing of a \$75 million agreement for an expanded gas exploration program on its lands in the Arctic Islands. Under the agreement four gas transmission companies will make these funds available to the extent of \$50,000,000 for gas exploration on Panarctic lands over the next five years, and in the event discoveries are made on Panarctic's lands, an additional \$25,000,000 will be made available in the same period for evaluation drilling. In return, these companies will receive priority to negotiate purchase of any gas developed by this program and declared surplus to Canadian requirements, at a price satisfactory to Panarctic. The gas companies will have the right to contract for gas in proportion to their participation in the project. When production from reserves developed under the arrangement is sold, repayment of the funds expended will begin from 25% of the proceeds. On final repayment, the gas companies will receive from Panarctic a total of 1% working interest in the developed gas reserves.

## **North Sea**

Westburne entered the North Sea play in March of this year as a participant in the Siebens Group and were awarded a 5% interest in 5 permit blocks and a 2½% interest in another block comprising a total of 338,284 gross acres in British offshore areas.

The North Sea today has to be regarded as a truly major oil province with giant discoveries, vast unexplored acreage, multiple pays, high grade low sulphur oil, ready markets and stable host governments. Although exploration in this area has scarcely begun, several oil pools in the billion-barrel category have already been found and new discoveries are being reported almost daily. A recent study by a London investment banking firm (Casenove & Co.) places North Sea oil reserves already discovered at 12 billion barrels, gas reserves at 50 trillion cubic feet and also rates the current production potential at 3 million bbls. of oil per day. The success ratio in wildcatting during the past two years has been better than 30% and with pay thickness reaching 700' and individual well flow rates in excess of 10,000 barrels per day, expectations are that the North Sea will rival the Middle East someday in terms of productive capacity.

The North Sea play now appears to be developing into three distinct areas namely a southern gas province situated between the South-East Coast of England and the Netherlands, a central oil province radiating from the Norwegian offshore Ekofisk fields and a northern oil and gas province situated midway between the Shetland Islands and Norway. In addition to the North Sea proper, Britain's Atlantic coast southwest of the Shetland Islands and the Celtic Sea between England and Ireland are now also under permit and being actively explored.



Three of Westburne's permits namely blocks 2/10, 3/28 and 9/4 are located in the northern oil and gas province in the British sector of the North Sea. Block 2/10, the most northerly of the three tracts, situated some 25 miles south of the famous \$52 million 'Golden Block' has become most important in view of the recent discoveries by the Shell/Esso team in this area. The Brent oil discovery situated some 30 miles northeast of Westburne's 2/10 block is a reported billion barrel oilfield and the more recent Cornorant oil discovery offsetting the 'Golden Block' and apparently on the same structure that underlies that tract, is rumored to have reserve potential rivalling the Middle East giants. Block 9/4 and 3/28 situated some 10 to 20 miles respectively to the west-northwest of the Norwegian Frigg gas and condensate field have also become greatly enhanced in potential by the recent discoveries by Mobil and Petronord-Pan Ocean south of the Frigg field.

The other blocks in which Westburne has an interest are located in the offshore area west of the Shetland Islands and in the Celtic Sea. The area west of the Shetlands in which Westburne has one block, 205/30, is in the early stages of exploration with the initial permits in the area having been awarded earlier this year. Esso are drilling the first wildcat in this area some 30 miles northeast of block 205/30 and following completion of this test are expected to move about 25 miles southwest for a second wildcat.

The Celtic Sea blocks 92/10 and 103/28 are situated in British waters fairly close to the U.K.-Irish median line. Marathon has been actively exploring the Irish waters since 1961 and were rewarded with a significant gas discovery in the area in 1971. Exploration in the British sector is just underway but in view of the Marathon discovery will probably see some drilling activity fairly soon.

A marine seismic program was carried out in the spring and early summer of 1972 over each of the blocks in which Westburne has an interest. This data has now been processed and detailed reports containing seismic interpretations and drilling recommendations for each block have been recently submitted. These reports are currently being analyzed by the participants in the Siebens group and future exploration plans for this acreage are now being considered.

Although Westburne's 5% interest in this play appears at first sight to be rather modest it is of interest to note that 5% of a half billion barrels type of discovery would be of a significant nature in terms of additional oil reserves per outstanding share of the Company.

0°                      1°                      2°                      3°



SHELL ESSO  
CORMORANT 211/26-1  
Oil Discovery

SIGNAL 211/18-1  
Oil Shows, testing

SHELL ESSO BRENT 211/29  
Oil Discovery

BLOCK 2/10  
WESTBURNE 5%

BLOCK 3/28  
WESTBURNE 5%

BLOCK 9/4  
WESTBURNE 2½%

FRIGG FIELD

PETRONORD ET AL HEIMDALL 25/4  
Gas & Oil shows, drig. & testing

MOBIL OIL DISCOVERY

PHILLIPS QUINTANA  
GULF

- ★ OIL SHOW
- LOCATION
- OIL FIELD
- GAS FIELD
- INTERNATIONAL BOUNDARIES
- CONCESSION BOUNDARIES

## Financial

### Capitalization as at September 30, 1972 (in thousands of dollars)

#### Long Term Debt

Sinking Fund Debentures of a Subsidiary			
Series A 7% March 15, 1987	\$ 3,958		
Series B 7½% August 1, 1982	400		
Series C 8½% March 31, 1989	850		
Bank Loans	15,722		
Mortgages, Conditional Sales Contracts, etc.	2,891		
Total Long Term Debt	\$23,821		
Less Current Position	3,248	\$20,573	34.0%
Deferred Income Taxes		3,027	5.0%

#### Minority Interest

Preferred Shares of a Subsidiary*	2,582		
Common Shares* and Surplus of a Subsidiary	710	3,292	5.4%

#### Shareholders' Equity

Preferred Shares 8% Cumulative Redeemable Convertible			
Par Value \$25.00 (199,820 Shares)*	4,996		
Subordinated Preferred Shares Par Value \$10.00			
5% Cum. Redeem. Convert. Series 1969	495		
6% Cum. Redeem. Convert. Series 1970	1,385		
Total Preferred Shares	6,876		
Common Shares P.V. \$1.00 (3,020,043 Shares)*	3,020		
Contributed Surplus	1,814		
Retained Earnings	21,890		
Total Common Shares* and Surplus	26,724		
Total Shareholders' Equity		33,600	55.6%
		\$60,492	100.0%

\* Listed on The Toronto Stock Exchange  
The Montreal Stock Exchange

#### Business Volume

The company operating revenues for the fiscal year ended March 31, 1972 totalled some \$130,500,000 of which \$109,000,000 came from sales of merchandise, \$20,000,000 from contract drilling and \$1,500,000 from oil and gas production. For the fiscal year ending March 31, 1973 it is estimated that the operating revenue should exceed \$160,000,000.



## **Assets and Working Capital**

As of September 30, 1972 the total assets of the company amounted to some \$107,000,000. Fixed assets at cost totalled \$36,000,000 after depreciation. Accounts receivable, less provision for bad debts and inventories at lower of cost or net realizable value were \$33,508,000 and \$26,840,000 respectively, while working capital totalled \$16,480,000 at the same date.

## **Financing**

During the six-month period ended September 30, 1972 the company completed the financing of \$13,600,000 with several large Canadian institutions as follows:

- \$5,000,000 real estate type of debenture 9%, 20 years amortization, renegotiable every five years and repayable at any time with no penalty, for expansion of the equipment and supplies division;
- \$2,000,000 long term bank loan for equipment purchases of the drilling division;
- \$4,000,000 15 years oil production loan used partially for the repayment of an existing bank loan and for expansion of the oil and gas division;
- \$2,600,000 7½-7¾% 15 years sales and leaseback arrangement on the oil and gas division pipeline facilities.

## Westburne International Industries Ltd.

### Comparative Statement of Revenues and Expenses

for the years ended March 31, 1972  
in 000 of Cdn. \$

	1968	1969
<b>Operating Revenues</b>		
Sales of merchandise . . . . .	49,722	75,209
Contract drilling . . . . .	13,805	20,149
Oil and gas production . . . . .	643	632
	64,170	95,990
<b>Operating Expenses</b>		
Cost of sales—merchandise . . . . .	41,625	63,287
Contract drilling . . . . .	10,837	15,781
Oil and gas production . . . . .	—	—
Depreciation and depletion . . . . .	1,667	1,787
Selling, general and administrative . . . . .	7,066	9,976
	61,195	90,831
<b>Earnings from Operations</b> . . . . .	2,975	5,159
<b>Other Expenses (and Revenues)</b>		
Interest long term debt . . . . .	392	518
Other interest . . . . .	608	577
Interest and other investment income . . . . .	(151)	(147)
Gain on sale of fixed assets . . . . .	46	(83)
	895	865
<b>Earnings before Income Taxes and</b>		
<b>Extraordinary Item</b> . . . . .	2,080	4,294
Income taxes . . . . .	1,164	1,914
<b>Net Earnings before Extraordinary Item</b> . . . . .	916	2,380
Minority interest expenses . . . . .	238	389
Gain (loss) on sale of investment . . . . .	29	987
Gain (loss) on foreign exchange . . . . .	—	—
Non-recurring loss on termination of activity of manufacturing subsidiary net of applicable income tax reduction . . . . .	—	398
<b>Net Earnings for Years</b> . . . . .	707	2,580
<b>Analysis of Earnings per Share</b>		
<b>Basic Earnings</b>		
Before extraordinary items . . . . .	0.25	0.73
Extraordinary items . . . . .	0.01	0.20
Net earnings . . . . .	0.26	0.93
<b>Fully Diluted</b>		
Before extraordinary items . . . . .	0.24	0.67
Extraordinary items . . . . .	0.01	0.17
Net earnings . . . . .	0.25	0.84

Year ended	(see Notes 1 and 2)		6 Months to September 30th	
			1971	1972
1970	1971	1972	Unaudited	
85,039	84,686	109,358	52,721	71,017
19,372	18,608	19,604	6,116	8,411
996	1,420	1,674	789	846
105,407	104,714	130,636	59,626	80,274
70,810	70,669	91,010	43,452	58,598
14,303	13,510	14,720	4,614	5,939
352	573	714	322	422
2,016	1,967	2,139	958	1,023
12,376	12,921	16,130	7,556	9,950
99,857	99,640	124,713	56,902	75,932
5,550	5,074	5,923	2,724	4,342
890	1,139	1,174	575	707
659	797	707	324	566
(621)	(920)	(815)	(284)	(300)
(294)	(265)	(2)	(29)	(26)
634	751	1,064	586	947
4,916	4,323	4,859	2,138	3,395
1,830	909	1,536	747	1,305
3,086	3,414	3,323	1,391	2,090
349	233	240	146	141
1	—	6	—	—
—	173	41	—	23
—	—	—	—	—
2,738	3,354	3,118	1,245	1,972
0.98	0.92	0.85	0.33	0.57
—	0.06	0.01	—	—
0.98	0.98	0.86	0.33	0.57
0.89	0.79	0.75	0.30	0.48
—	0.04	0.01	—	—
0.89	0.83	0.76	0.30	0.48



## NOTES TO COMPARATIVE STATEMENT OF REVENUE AND EXPENSES

### Note 1:

The Consolidated Statement of Earnings includes the consolidated earnings of Westburne Petroleum Services Ltd. for each of its fiscal years ended March 31, and the consolidated earnings of United for each of its fiscal years ended on the preceding December 31 to December 31, 1968. In 1969 the fiscal year end of United was changed from December 31 to March 31. The consolidated loss of United for the three months ended March 31, 1969, an aggregate amount of \$317,000, is not included in the year ended March 31, 1969 but has been shown as a deduction from retained earnings in the net amount (after minority interest) of \$275,000 in the Consolidated Statement of Retained Earnings.

### Note 2:

#### Severance of Trimac Transportation Limited

Pursuant to a Plan and Agreement entered into on December 7, 1970 and approved by the shareholders of Westburne, Trimac was resold on January 15, 1971 to the former owners of that company by delivering to them all of the issued and outstanding shares of Trimac in exchange for 1,048,000 common shares of Westburne surrendered for cancellation and payment of \$200,000. The Consolidated Statement of Earnings gives effect to the severance of Trimac by excluding Trimac earnings.

The Company has treated the cash portion (\$200,000) of the consideration received on the severance of Trimac as a reduction of selling, general and administrative expenses in the year ended March 31, 1971, as these expenses include amounts incurred in respect of the discontinued operations during the nine month period ended December 31, 1970, which were not otherwise recovered.

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### Employees

Westburne normally employs over 2,250 persons during the peak periods of activity of the year. When drilling operations are seasonally curtailed employees then number approximately 1,750 persons. Employees relations are good.

### Control

Westburne International Industries Ltd. is a Canadian controlled company. The directors and senior officers of the company as a group own beneficially about 35% of the 3,015,693 common shares outstanding as at March 31, 1972. Further, an additional 28.5% of the common shares were owned at that date by an estate of which the Chairman and another director of the company are the two executors.



